

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.30am on Monday, 17 January 2005 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Mr S Singh (Chair) and Cllr G Morrice.

In Attendance: Mr R Burley; Mr J Matheson; Mr I Messer (Chief Internal Auditor); Mr P Reith (Secretariat Manager); and Mr Tulloch (Assistant Director of Finance); Mr D Watt (External Auditor, KPMG) and Mr S Reid (External Auditor, KPMG).

Apologies for absence were received from Mr R Y Anderson, Ms L Jamie, Professor J J Barbour and Mr M Duncanson.

31. Minutes of the Previous Meeting

31.1 The previously circulated Minutes of the meeting of the NHS Lothian Audit Committee, held on 25 October 2004, were approved.

32. Matters Arising

32.1 Standing Orders and Standing Financial Instructions – the Committee noted the previously circulated paper, together with draft Standing Orders, including the Scheme of Delegations and Standing Financial Instructions.

32.1.1 Mr Tulloch explained that, whilst it had originally been thought that it would not be possible to produce a single set of detailed Standing Financial Instructions, this had subsequently proved to be possible, as there were no major differences between the three Operating Divisions and Lothian NHS Board.

32.1.2 Mr Matheson introduced the paper and explained that the Audit Committee was being asked to make a recommendation to Lothian NHS Board to approve the proposed Standing Orders, Standing Financial Instructions and Schemes of Delegation.

32.1.3 The Committee went through the proposals in detail and made a number of amendments for incorporation into the draft before submission to Lothian NHS Board. In particular, the Committee agreed that:

- in the Standing Orders the term "Non-Executive Member" should be defined

- under the Freedom of Information (Scotland) Act 2002, papers and Minutes would be in the public domain but the public would not be free to attend actual Committee meetings. Board meetings would, for the most part, continue to be held in public. A reference to this fact should be included in the Standing Orders
- Board and Committee agendas should be circulated to members five working days before the meeting rather than the recommendation of three clear day's notice in the Regulations
- Those Committees whose Terms of Reference did not specify the quorum arrangements should be invited to do so

32.1.4 The Chair expressed some concern that it would be possible for meetings of the Audit Committee to be held without any actual members of the Committee being present if other Non-Executive Board members could deputise.

32.1.5 It was noted that this situation had arisen because of the need to have meetings on certain particular dates for the approval of annual accounts, etc. The Committee was reassured by the fact that where a meeting comprised only deputy members, this fact was drawn to the Board's attention and retrospective approval sought for the specific membership of the Committee on that date.

32.1.6 The Committee agreed that the same principle should be extended to cover the Divisional Audit Committees in order to avoid inquorate meetings.

32.1.7 Mr Matheson introduced the Schemes of Delegation and emphasised the differences between Divisional and Board Audit Committees in respect of their operational and strategic roles.

32.1.8 In response to a question from Mr Watt concerning the Endowments Sub-Committee, Mr Matheson explained that the whole Board met as Trustees of the Endowments.

32.1.9 It was noted that the Standing Financial Instructions were considered to be appropriate and incorporated no significant changes from previous versions. Mr Watt corrected the reference on page 16 to the Auditor General and indicated that the correct references to the Act should be included.

32.1.10 The Committee noted that, once approved by Lothian NHS Board, the Standing Financial Instructions and Schemes of Delegation would be widely circulated throughout the organisation, and the Standing Orders would be circulated to Board members as well as being publicly available.

32.1.11 The Committee agreed to recommend approval of the amended Standing Orders, Terms of Reference, Standing Financial Instructions and Schemes of Delegation to Lothian NHS Board.

33. Development of Risk Management Strategy

- 33.1 The Committee noted a previously circulated report providing an update regarding the development of an NHS Lothian Risk Management Strategy.
- 33.2 Mr Matheson advised the Committee that PricewaterhouseCoopers, in conjunction with Lothian and Borders Management Audit Services, had been tasked with taking forward the development of a Risk Management Strategy for NHS Lothian.
- 33.3 Prior to producing a draft Strategy, this had involved;
- documenting and understanding the existing risk management process in place within each Division and Headquarters
 - holding a risk workshop attended by key personnel from throughout NHS Lothian to agree risk management principles and required actions which would inform the development of the Strategy.
- 33.4 Following this workshop, a draft Risk Management Strategy was produced by PricewaterhouseCoopers and revised following a detailed review by the NHS Lothian Risk Managers. This amended draft had been issued on 24 December 2004 to all attendees at the Risk Workshop who were invited to comment by 7 January 2005 at the latest.
- 33.5 The Committee noted that responses received would now be considered and reflected as appropriate in a further version of the draft Strategy which would be included in the information pack provided to NHS Quality Improvement Scotland to aid their forthcoming review at NHS Lothian scheduled for 3 February.
- 33.6 The version provided for review would be subject to further consultation prior to being finalised and completed prior to 31 March 2005 and would be brought to a future Audit Committee meeting for approval. **JM**

34. Revised Strategic Memorandum: 2004-05 Annual Plan

- 34.1 The Committee noted a previously circulated paper from KPMG containing the final revised Strategy Planning Memorandum for the 2004-05 Annual Plan.
- 34.2 Mr Watt informed the Committee that KPMG had taken a pan-Lothian Board-wide audit approach. The audit was carried out in accordance with the statutory responsibilities under the Public Finance and Accountability (Scotland) Act 2000 and in accordance with the Statements of Auditing Standards issued by the Auditing Practices Board and the wide responsibilities embodied in Audit Scotland's Code of Audit Practice. Under this Code, Auditors addressed and commented upon a number of objectives, together with complying with a number of obligations.
- 34.3 Mr Matheson commented that he had found the structure of the report very useful and the report had been discussed at a successful meeting with the NHS Lothian Chief Executive and the External Auditors the previous week.
- 34.4 The Committee noted that no guidance had yet been forthcoming on Community Health Partnerships and these would, therefore, be audited later on in the year.

34.5 Mr Matheson emphasised that this exercise would require some thought and focus, particularly where joint responsibility was being exercised alongside Local Authorities for certain integrated services.

35. Date of Next Meeting

35.1 The Committee agreed that the next meeting should be held on Monday, 28 February 2005 at 9.30am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Audit Committee held at 9.30am on Monday, 28 February, 2005 in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

Present: Mr S Singh (Chair) and Mr R Y Anderson.

In Attendance: Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr P Reith (Secretariat Manager); Mr A Tulloch (Assistant Director of Finance) and Mr D Watt (External Auditor, KPMG).

Apologies for absence were received from Ms L Jamie, Cllr G Morrice and Professor J J Barbour.

36. Minutes of the Previous Meeting

- 36.1 The previously circulated Minutes of the meeting of the NHS Lothian Audit Committee, held on 17 January 2005, were approved, subject to the following amendment.

Minute 32.1.5 – the second sentence to read "The Committee was reassured by the fact that where the meeting comprised only deputy members, this fact was drawn to the Board attention and retrospective approval sought from the specific membership of the Committee on that date."

37. Matters Arising

- 37.1 Standing Orders and Standing Financial Instructions – the Committee noted the previously circulated updated Standing Orders and Terms of Reference for Committees, incorporating the updates agreed at the January meeting. It was noted that some Committees still had to provide details of the number for a quorum but that this would be included as soon as it was received. The Committee agreed that the revised Standing Orders, Terms of Reference, Standing Financial Instructions and Scheme of Delegation should be submitted to the March Board meeting.

38. Divisional Audit Committee Minutes

38.1 University Hospitals Division Audit Committee

38.1.1 The Committee noted the previously circulated Minutes of the University Hospitals Division Audit Committee meeting held on 25 August 2004. In the absence of Ms Jamie, it was agreed that the Chair should contact her to see if there was anything in these Minutes to which she would like specific reference made in the NHS Lothian Audit Committee Minutes.

38.1.2 The Committee felt that, in future, it would be helpful if Divisions could provide the NHS Lothian Audit Committee with draft Minutes once they had been approved by Committee Chairs.

38.1.3 Mr Matheson undertook to pick up the issue of PFI monitoring with Mr Watt. **JM**

38.2 Primary and Community Division Audit Committee

38.2.1 The previously circulated Minutes of the Primary and Community Division Audit Committee meeting held on 21 June 2004 were noted. It was noted that an unsatisfactory Audit Opinion had been issued on the PiMS Implementation Status Review, and Mr Anderson advised that a further report on this had been received at the December meeting.

38.3 West Lothian Healthcare Division Audit Committee

38.3.1 The Committee noted the previously circulated Minutes of the West Lothian Healthcare Division Audit Committee meeting held on 19 July 2004. Mr Anderson commented that he was concerned at the length of time the two investigations were taking. Mr Messer explained that one of these involved investigations into an alleged thief of patients' funds and a report had now been drafted by Internal Audit. Details were still being sought in respect of these investigations. The second investigation was into a leak of confidential information and this was being taken forward. Mr Messer would be bringing a paper to the West Lothian Healthcare Division Audit Committee giving the reasons why these two items had taken so long.

39. Governance Issues

39.1 The Good Governance Standard for Public Services

39.1.1 The Committee noted a previously circulated report on the Good Governance Standard for Public Services produced by the Independent Commission on Good Governance for Public Services. Mr Matheson explained that this Commission had been established by the Office for Public Management and the Chartered Institute for Public Finance and Accounting, with the objective of providing a common code for public sector governance, while building on existing guidance. Whilst the Standard was not mandatory, he would be bringing back a further report detailing how NHS Lothian would address its adherence to the Standard.

39.1.2 The Chair commented that this was an extremely useful publication and it was agreed that it should be distributed to all Board members. **JM**

39.1.3 It was also suggested that Appendix A, which detailed assessment questions for governors and governing bodies to ask themselves, might be a useful topic for discussion at a future Board Away Day. **JM**

39.2 Counter-Fraud Services

39.2.1 A previously circulated report was noted, together with NHS circular HDL (2005)5 and the Partnership Agreement with NHS Boards.

39.2.2 Mr Matheson explained that the circular detailed the actions being taken forward and indicated that he would be bringing forward a report on the development of the detailed action plan for NHS Lothian.

39.2.3 The Committee noted that the Partnership Agreement was a detailed document outlining roles and responsibilities and how individual investigations would be handled. There were a number of key actions for Boards and the Chief Internal Auditor would be taking on the new responsibilities of the Fraud Liaison Officer role.

39.2.4 In response to a question, Mr Matheson confirmed that NHS Lothian had a very positive relationship with the Counter-Fraud Services.

39.2.5 The Committee agreed to note the report.

39.3 Proposal for Write-Off Authorisation

39.3.1 The Committee noted a previously circulated paper from the University Hospitals Division seeking authorisation to write-off debts totalling £72,997.05.

39.3.2 After some discussion, the Committee agreed that considerably more detailed information was required before the write-offs could be authorised. Reassurance would also be required that procedures had been changed appropriately as a result of the subsequent investigations. A report should be brought to the next meeting. **JM**

40. **Internal Audit Reports**

40.1 Management Audit Progress Report

40.1.1 The Committee received a previously circulated report from the Chief Internal Auditor detailing 2004/05 Internal Audit activity as at February 2005.

40.1.2 Mr Messer spoke to the report and explained that there had been a delay in the review of senior manager's pay which could only have proceeded once the annual Scottish Executive Health Department guidance had been issued

and acted up and this had not happened until January 2005. The Audit could now not be taken forward in 2004/05 due to the absence of the key manager for several weeks and this would now be scheduled for April 2005.

40.1.3 Mr Messer also indicated that the recently appointed Child Health Commissioner had requested more time before scoping an internal audit and this exercise would be scoped in the first quarter of 2005/2006. Mr Matheson also indicated that NHS Lothian would be looking at the possibility of a joint audit with the Local Authorities, as many of the problems occurred at the interface between Council and NHS.

40.1.4 The Committee agreed to note the report.

40.2 Complaints Process

40.2.1 The Committee noted a previously circulated report from Mr Messer on the controls over the operation of the complaints process.

40.2.2 Mr Messer indicated that whilst these controls were satisfactory, a number of improvement opportunities had been raised relating to the development of operational procedures, detailing the Complaints Manager's duties and tasks, complaints handling training for reception staff, formal review of complaints handling activity and planning for the future maintenance and service provision for the complaints database.

40.2.3 Mr Anderson questioned how the Board received reports about complaints, and Mr Matheson explained that this was currently part of the performance assessment framework. He undertook to look at this to see if there was a way of specifically reporting to the Board on complaints, as well as the favourable comments on services which greater out-numbered complaints.

40.3 Property Transactions Monitoring 2003-2004

40.3.1 A previously circulated report from the Chief Internal Auditor was noted setting out the findings from the audit work carried out on the property transactions that the constituent organisations within NHS Lothian had completed during the financial year 2003/2004.

40.3.2 The Committee noted that there had been two property transactions in which there were some reservations on how the transaction was conducted, and one in which a serious error of judgement had occurred in the handling of the transaction.

40.3.3 Mr Anderson advised the Committee that the instances where a serious error of judgement had occurred in West Lothian had raised a query about the appropriateness of the handling of ongoing large transactions but this had been checked by management. In the particular case in question, an independent Property Adviser had not been appointed and, as a consequence, the evaluation method was not sound.

40.3.4 Mr Matheson advised the Committee that he would be writing to the responsible individuals reminding them of the appropriate procedures.

40.3.5 The Committee agreed to note the report.

40.4 Recommendations Follow-Up

40.4.1 The Committee noted a previously circulated report from the Chief Internal Auditor on the implementation of recommendations in Audit reports. Managers had confirmed that only 47% of recommendations that should have been implemented had actually been implemented and that 42% of agreed recommendations were still to be implemented in full.

40.4.2 Mr Messer was able to reassure the Committee that most recommendations in progress were actively being taken forward and full implementation could be expected by the time of the next review. A delay in 14% of the recommendations in progress was mainly due to a vacancy for an IT Security Officer, which had now been resolved.

40.4.3 The Chair commented that the detail in the report was helpful, and Mr Matheson advised the Committee that he had discussed these with the responsible individuals and that the vacant IT Security Officer post had now been filled, which would allow delivery against the appropriate timescale.

40.4.4 The Committee agreed to note the report.

40.5 Data Protection Act

40.5.1 A previously circulated report on the Data Protection Act was noted. Mr Messer advised the Committee that although significant work had been performed within Lothian Health Board to further strengthen compliance with the requirements of the Data Protection Act, such as strong subject access systems and an Information Sharing Protocol, some significant issues had been identified which were outlined in the paper.

40.5.2 The Committee noted that Val Baker was putting together a single system response on these issues and this would be considered at the next meeting.

40.5.3 The Committee agreed to note the report.

40.6 Key Reconciliations – Pan-Lothian Summary

40.6.1 The Committee noted a previously circulated report on the processes for ensuring a complete and adequate balance sheet reconciliation processes within each part of NHS Lothian. A number of issues to improve consistency of practice had been raised.

40.6.2 Mr Tulloch advised the Committee that he would be meeting with Directors of Finance to take this matter up, and Mr Watt agreed to discuss the matter

further with Mr Matheson and Mr Tulloch to ensure that Board procedures were in line with current accounting practice.

40.6.3 The Committee agreed to note the report.

40.7 Summary of Other Pan-Lothian Exercises

40.7.1 A previously circulated paper outlining the status and ratings of the Pan-Lothian audits, together with comments on the completed exercises was noted.

40.7.2 Mr Matheson commented that the junior doctors' financial control was one of the key issues as it involved significant sums of money being paid out on the basis of self-reporting. Mr Messer advised the Committee that the fieldwork on this should be concluded by the end of March.

40.7.3 The Committee agreed to note the report.

40.8. Smith Report Recommendations

40.8.1 The Committee noted a previously circulated report bringing to its attention three Internal Audit recommendations raised within the Lothian University Hospitals NHS Trust during 2003/04, which were proposed for implementation in all parts of NHS Lothian.

40.8.2 The Committee noted that Internal Auditors had raised two recommendations within the Lothian University Hospitals NHS Trusts during 2003/2004 which were intended to ensure full compliance with the Smith report recommendations. The recommendations were:

- the annual report of the Audit Committee to the Board should include the qualifications of all members, the number of Audit Committee meetings and attendance at these meetings by each member
- as part of the annual report of the Audit Committee, comments should be included which confirm that a basic evaluation of the sufficiency of the resources available to the Audit Committee had been performed
- the annual report should also confirm that the Audit Committee considered the need to meet with External and Internal Audit independently of management.

40.8.3 The Committee agreed that the stated recommendations should be implemented and reflected in the 2004/2005 Divisional Audit Committee annual reports.

40.9 Controls Assurance 2004/2005

40.9.1 The Committee noted a previously circulated paper advising of how Internal Audit would contribute to the process of providing evidence on the adequacy of the control environment in advance of the Chief Executive's sign-off on the Statement of Internal Control.

- 40.9.2 Mr Matheson reminded the Committee that the Chief Executive, James Barbour, was the Accountable Officer and, therefore, had to sign of the Statement of Internal Control. To enable this to happen, processes were required which provided the Chief Executive with comprehensive information on the internal control environment.
- 40.9.3 For the 2004/2005 annual accounts, assurance would be provided from a number of sources, including key NHS Lothian committees and the various external sources of assurance, including the Accountability Review and External Audit reports.
- 40.9.4 The Committee noted that managerial self-assessment in all parts of NHS Lothian, utilising a self-assessment tool which built on the previous controls assurance standards was being facilitated, and this complied with the requirements in the Scottish Executive Health Department's guidance.
- 40.9.5 Mr Anderson noted that of all the sources of assurance outlined in the circulated paper, Risk Management was the area where he had been provided with the least information within West Lothian Healthcare Division. Mr Matheson explained that the strategy was in the process of being developed and would be coming to a future Audit Committee meeting.
- 40.9.5 The Committee agreed to support the proposed approach to controls assurance for 2004/2005.
- 40.10 Internal Audit Developments
- 40.10.1 A previously circulated report providing an update on current Internal Audit developments was noted.
- 40.10.2 The Committee noted that the Internal Audit Consortium Board had decided that Lothian and Borders Management Audit Services should increase the amount of Internal Audit work being done by in-house staff. During 2004/2005, PricewaterhouseCoopers had provided 300 man days, largely for the University Hospitals Division. The existing agreement with PricewaterhouseCoopers would continue until June 2005/2006 to allow time for recruitment to the in-house team to be completed.
- 40.10.3 A proposal to retain an external firm as an Internal Audit partner, possibly providing a range of specialist services, whilst also providing back-up from their resources pool for occasions when the in-house team was short-staffed, was being investigated.
- 40.10.4 The Committee noted that the auditing of the Community Health Partnerships would be included with primary care and the overall change management process would also be monitored.
- 40.10.5 The Committee noted the decision of the Internal Audit Consortium to reduce the level of out-sourced work in favour of in-house provision and the related decision to recruit another Audit Manager to the department. The Committee agreed the proposed structure for audit delivery during 2005/2006, including

the creation of a separate Audit Plan for pan-Lothian projects, and noted that the Internal Audit Consortium and Chief Internal Auditor would agree separately on the need for the recruitment of another member of staff and/or the scale and nature of any Internal Audit partnership arrangement.

41. Audit Scotland Reports

41.1 Overview of the Financial Performance of the NHS in Scotland

- 41.1.1 The Committee noted the previously circulated paper, together with the Audit Scotland publication "Overview of the Financial Performance of the NHS in Scotland 2003/2004".
- 41.1.2 Mr Matheson commended this report to the Committee and drew attention to the amount of £370 million in non-recurring funding used to support operational activities throughout Scotland in 2003/04. In NHS Lothian, the figure in 2003/04 of non-recurrent funding used to achieve financial balance was £44.4 million. This had reduced to £39.2 million in 2004/05, with a planned reduction to £20 million in 2005/06.
- 41.1.3 The Committee noted that the additional costs of pay modernisation initiatives for 2004/05 had been a significant contributor to this level, although Lothian had not been as badly affected by additional out-of-hours costs as more rural areas.
- 41.1.4 The Committee noted that performance in the achievement of CRES savings in the past had not been good and this was being addressed.
- 41.1.5 The Committee felt that this had been a useful report and revealed common themes between NHS Boards. It was agreed to note the report and to circulate it to all the members of Lothian NHS Board.

42. Date of Next Meeting

- 42.1 It was noted that the next meeting would be held on Monday, 23 May 2005 at 9.30am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.30am on Monday, 23 May 2005 in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie and Mr R Y Anderson.

In Attendance: Mr E Egan (Chair, Lothian Partnership Forum); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr S Reid (External Auditor, KPMG); Mr P Reith (Secretariat Manager); Dr C P Swainson (Medical Director)(for items 1,2,3 & 4); Mr A B Tulloch (Assistant Director of Finance) and Mr D Watt (External Auditor, KPMG).

Apologies for absence were received from Professor J J Barbour and Ms C Stevenson.

1. Minutes of the Previous Meeting

- 1.1 The previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 28 February 2005, were approved, subject to the following amendment:

Minute 39.3.1 – delete "£77,997.05" and substitute "£72,997.05".

2. Matters Arising

- 2.1 Proposal for Write-Off Authorisation – the Committee received a previously circulated report providing some background details on the proposed write-offs and re-assurance that procedures had been changed appropriately as a result of the subsequent investigations.
- 2.1.1 In response to points raised by the Chair and Mr Egan, Mr Matheson undertook to explore the possibility of selling off debts to a debt collection agency.
- 2.1.2 The Committee agreed to authorise the write-off of debts totalling £72,997.05 in respect of the Lothian University Hospitals Division and to note that procedures were being tightened up.

3. Divisional Audit Committee Minutes

3.1 University Hospitals Division Audit Committee

3.1.1 The Committee received the previously circulated Minutes of the meetings of the University Hospitals Division Audit Committee held on 4 November 2004, and the draft Minutes of the meeting held on 1 March 2005.

3.1.2 It was noted that the question of bad debts had been discussed at these meetings as well as the following up of outstanding External Auditor's recommendations.

3.2 Primary and Community Division Audit Committee

3.2.1 The Committee received the previously circulated Minutes of the meeting of the Primary and Community Division Audit Committee held on 20 December 2004.

3.2.2 Mr Anderson advised that the private meeting between the Chair and Auditors had not yet taken place but was scheduled for June 2005.

3.3 West Lothian Healthcare Division Audit Committee

3.3.1 The Committee received the previously circulated Minutes of the meetings of the West Lothian Healthcare Division Audit Committee held on 22 November 2004 and 17 March 2005.

3.3.2 Mr Anderson informed the meeting that a matrix of audit recommendations was being drawn up in order that issues were not lost sight of in the move towards single system working. The Chair undertook to meet with Mr Anderson before the next Audit Committee meeting to discuss any outstanding issues.

3.3.3 Mr Egan raised the issue of work undertaken at Strathbrock possibly not as specified and advised that this had been looked into by the External Auditor. Mr Matheson undertook to discuss the contract specifications with Mr Egan and the Chief Internal Auditor outwith the meeting.

3.3.4 In response to a question from the Chair, Mr Matheson advised the Committee that the discussion around the Annual Report and Assurance Statement, along with the Statement of Internal Control, would take place at the July Audit Committee.

4. Governance Issues

4.1 NHS Lothian Risk Management Strategy

4.1.1 The Committee received the previously circulated Risk Management Strategy for 2005/2008.

4.1.2 Dr Swainson reminded the Committee that risk management was recognised as an essential element of the overall governance framework. Within the single

system there was a recognised requirement to ensure consistency and robustness in the way that risk management was tackled, while building on the embedded risk management arrangements of the predecessor bodies, which currently continued to operate.

- 4.1.3 To address this requirement, an NHS Lothian Risk Management Strategy had been developed following a project facilitated by Lothian and Borders Management Audit Services, involving consultation with the risk managers from each Division and a wider group of relevant managers and staff through a workshop held in November.
- 4.1.4 Dr Swainson indicated that he had agreed to take on the overall co-ordinating role for risk management as well as clinical governance because clinical risks were the major risks faced by NHS Lothian.
- 4.1.5 The Committee noted that the issues were being facilitated by Internal Audit and a series of workshops had been held. The Strategy had been reviewed by both the Executive Management Team and by NHS QIS. Delivery was being monitored through the Risk Management Steering Group and it was noted that the need to develop a Controls Assurance Model would provide a good opportunity to develop the establishment of the principle of individual responsibility.
- 4.1.6 In response to a question from Mr Egan, Dr Swainson confirmed that the system would be able to capture a variety of potential risks, including inappropriate staff behaviour. There would then be an assessment of risks and the likelihood of further risks in the future.
- 4.1.7 Mr Matheson emphasised the importance of ensuring that risk was not seen as something that somebody else dealt with centrally. Risk management, clinical governance and quality control were issues that required the involvement of all staff. Mr Matheson indicated that the management of high-level risk was currently being examined and it was important to ensure that the mechanisms also supported the management of risk at local level.
- 4.1.8 It was noted that Non-Executive Board Members would be involved in agreeing the Risk Register in September and the Chair emphasised the need to have a appropriate level of Non-Executive Board Member involvement.
- 4.1.9 Dr Swainson emphasised that Clinical Governance Committees would need to take more to do with risk management and Non-Executives would also become more involved, particularly the Chairs of the main governance committees – Clinical Governance, Audit, Staff Governance and Finance & Performance Review.
- 4.1.10 In response to a question from Mr Egan concerning the timescale of Non-Executive Board Member involvement in issues, Dr Swainson suggested that he might bring a report to the Board on the Risk Register.
- 4.1.11 Mr Matheson advised that a review of the Risk Registers could be undertaken at the September Away Day.

- 4.1.12 Mr Anderson asked if there were any examples of "good" risk management and Dr Swainson quoted the example of Maternity services as an area where risk management was well handled.
- 4.1.13 Mr Watt suggested that a statement should be produced defining an acceptable level of risk that could be tolerated. Mr Tulloch indicated that the Tayside system had some examples of this.
- 4.1.14 Dr Swainson undertook to update the report for the September Board Away Day.
- 4.1.15 Dr Swainson left the meeting.

5. Internal Audit Reports

5.1 Management Audit Progress Report

- 5.1.1 The Committee received a previously circulated report from the Chief Internal Auditor detailing 2004/2005 Internal Audit activity as at May 2005.
- 5.1.2 Mr Messer spoke to the report and advised that one report would be coming to the next meeting on aspects of corporate governance, including the Scheme of Delegation. Mr Messer emphasised that there had been a high level of delivery of reports considering the amount of sickness absence in the department. He advised that the review of flexi-time had been cancelled as the Local Partnership Forum had subsequently felt that it would be best to resolve the issue locally with management and Staff Side.
- 5.1.3 The Committee noted the report.

5.2 Initial Operational Audit Plan 2005/2006

- 5.2.1 The Committee received the previously circulated report on the Initial Operational Audit Plan 2005/2006.
- 5.2.2 Mr Messer advised the Committee that this was the first pan-Lothian Plan and was an Initial Plan because changes in it were expected during the year. The items included were the outcome of initial discussions with management and this process was continuing.
- 5.2.3 In response to a question from Mr Egan concerning the Agenda for Change validation, Mr Messer indicated that Craig Marriot, Associate Director of Finance, had sought validation of the specific Agenda for Change Assimilation tool currently in use. Mr Egan requested further clarification on the purpose of this audit and that on the Knowledge and Skills Framework.
- 5.2.4 Mr Matheson emphasised that the reports produced by Internal Audit should be useful to management and Mr Messer undertook to discuss the audit of the Agenda for Change validation with Mr Egan.

5.2.5 The Chair questioned what planning was taking place at a level below the Health Plan and Mr Matheson indicated that the Capital Plan, the Workforce Plan and the Financial Plan were all being reviewed by the NHS Lothian Planning Group. When this was complete, they would be available for Internal Audit to examine. He emphasised that this was done on a pan-Lothian basis rather than a Divisional one.

5.2.6 Mr Egan commented on the differences between working practices in different parts of single system working in Lothian. and the Chair invited Mr Egan to bring forward proposals for an area showing differences in working practices with single system working in order that they could be audited.

5.2.7 The Committee agreed to note the report.

5.3 NHS Lothian Activity Monitoring System

5.3.1 The Committee received a previously circulated report from the Chief Internal Auditor advising of progress in the development of an NHS Lothian Activity Monitoring System and in taking forward previous Management Audit recommendations on the subject.

5.3.2 It was noted that the absence of a comprehensive activity monitoring system able to report on the bulk of NHS Lothian expenditure and activity had been identified as a significant gap within the NHS Lothian control framework.

5.3.3 Since the Management Audit report produced in January 2004 on progress on this development, Director-level responsibility for this project had been clarified; Project Board membership had been broadened to include all stakeholders; Executive Management Team support for the project was obtained in May 2004; project approval was obtained from the Lothian Informatics Boards, the Lothian Care Reference Group and the Finance and Performance Review Committee; stakeholders had met for the first time in November 2004; funding had been made available from 1 April 2005 to enable project development to proceed; a recruitment process to identify a Project Manager had been initiated and line management responsibility for the Project Manager had been confirmed.

5.3.4 The Committee noted that whilst the initial timescales in the original report had not been achieved, it was clear through the securing of funding and actions to recruit a Project Manager that arrangements would be in place to enable progress to be achieved during 2005/2006.

5.3.5 Mr Matheson confirmed that he had been in contact with the Information Services Division about a Scottish Activity Monitoring System and had also spoken to colleagues in England but meantime Lothian would be extending the use of the system currently being used in West Lothian.

5.3.6 The Committee noted the report.

5.4 Research Ethics

5.4.1 The Committee received a previously circulated report detailing a review to assess the operation of the monitoring and support processes of Lothian NHS Board for ensuring that there was appropriate research governance with regards to the ethics of research for ensuring that the four Lothian Research Ethics Committees operated in line with statutory guidelines.

5.4.2 The Committee noted that during the review only one minor issue in relation to the recording of the training received by Research Ethics Committee members had been identified and that this was being addressed.

5.4.3 The Committee agreed to note the report.

5.5 Monitoring of Waiting Times/Delayed Discharges/Winter Funds

5.5.1 The Committee received a circulated report following up the gaps identified in monitoring data submitted by Divisions. The root causes of examples of Divisional non-submission or incomplete submission of data requested by headquarters were specified. One of the key findings was that the range of software systems in use and the difficulties experienced in meeting reporting requirements, confirmed the importance of the current Management Information System (MIS) project. For this reason, the report had been copied to Information Management & Technology management for the attention of the Project Manager of the MIS project.

5.5.2 Mr Messer indicated that a common problem in the Departments audited was that the various IT systems mostly pre-dated the current reporting requirements.

5.5.3 Mr Anderson commented that there appeared to be a worrying slackness in the use of the Lothian Delayed Discharge Tool and it was suggested that the Project Manager might come back with an update.

5.5.4 Mr Messer indicated that this matter could potentially be progressed through inclusion in the scope of an audit of IT requirements of Joint Futures and Mr Matheson undertook to feed back comments and pick up any issues with the Director of Healthcare Planning and Audit staff.

5.5.5 The Committee agreed to note the report.

5.6 Appraisal/PDP Procedures

5.6.1 The Committee received a report on the level of appraisal and PDP completion within the Board's Headquarters, copies of which had been circulated.

5.6.2 The Committee noted that the report indicated that a high level of appraisal and PDP completion was achieved within Headquarters. However, for a minority of staff tested, sign off by managers "grandfathers" and the members of staff themselves had not taken place or could not be evidenced. In addition, most

appraisal documents were not copied to Human Resources as required by local policy.

- 5.6.3 Mr Egan commented that appraisal documentation should be held centrally and Mr Messer undertook to draw the attention of Human Resources to the recommendations.

5.7 Review of Commitment Process

- 5.7.1 The Committee received a previously circulated paper reviewing the process by which funds were released from Lothian NHS Board reserves or "ring-fenced funding", following agreed commitments with Divisions and Departments.

- 5.7.2 The Committee noted that the conclusion was that the overall process for approving and monitoring expenditure committed from reserves or "ring-fenced funding" required to be enhanced to ensure that there was a greater degree of clarity over the level of funding agreed.

- 5.7.3 Mr Tulloch welcomed the report and emphasised the need for more formal procedures for recording commitments entered into by the Board.

- 5.7.4 The Committee noted that the efficiency and effectiveness of the process for the allocation of funding to Divisions was impacted by the lack of formality and clarity over the process for approval to commit expenditure against NHS Board allocated reserves, and a large amount of staff time at Lothian NHS Board and Divisional level was being absorbed in the process of reconciling commitments and monies not yet allocated.

- 5.7.5 The Committee agreed to note the report.

5.8 Discharge from State Hospital

- 5.8.1 The Committee received a previously circulated report on the process in place for planning for the discharge of patients from the State Hospital and ensuring that appropriate action was taken in establishing the patients when Lothian NHS Board was the NHS Board of residence.

- 5.8.2 In response to queries regarding the scope of this audit it was noted that the report related to the confirmation of the residential status of State Hospital patients who were noted as patients of NHS Lothian and who were nearing discharge, rather than the provision of appropriate accommodation within Lothian.

- 5.8.3 The Committee agreed to note the report.

5.9 Counter Fraud Services Partnership Agreement

- 5.9.1 The Committee received a previously circulated report outlining the actions requiring to be taken following the sign-off of a Partnership Agreement which, together with the contents of HDL (2005)5 outlined the responsibilities of NHS Lothian and the Counter Fraud Services.

5.9.2 Mr Messer informed the Committee that he would be bringing back further update reports on this matter and the Committee noted that there were clear Counter Fraud Policies across the piece.

5.9.3 The Committee agreed to note the report.

5.10 Corporate Reporting

5.10.1 The Committee received a report from the Director of Finance on the present position in regard to corporate reporting, copies of which had been circulated.

5.10.2 Mr Tulloch explained that during 2004/05 Lothian University Hospitals Division and the Lothian Primary Care Division operated separate financial databases. West Lothian Division and Lothian NHS Board Headquarters shared a common database. Whilst all four entities operated the same application software, however, different software versions were in operation.

5.10.3 Mr Tulloch indicated that NHS Lothian was moving to a position where one corporate database would be operated and this would enable the elimination of duplication, the achievement of best practice and the introduction of greater automation in both processing and reporting. Due to the complexity of the database and the scale of the work required to align processes, these fundamental changes could only occur at the financial year-end. Mr Matheson confirmed that whilst three separate sets of accounts would be considered at the July meeting, there would be only one unified set of annual accounts.

5.10.4 In response to a question from Mr Watt, Mr Tulloch indicated that software upgrades and patches had not been applied in a consistent manner between Divisions. Only when a common chart of accounts, merging master files for suppliers, products, etc. and documentation of present "purchase to payment" processes had been developed would it be possible to enable the identification of areas of best practice.

5.10.5 The Committee noted that the project plan was on-line to deliver a single unified system with a minimum of risk and that best practices were being identified to ensure that these were the ones which were implemented.

5.10.6 The Committee agreed to note the report.

5.11 Scheme of Delegation and Standing Financial Instructions

5.11.1 The Committee received a previously circulated report, together with updated Standing Financial Instructions and a Scheme of Delegation.

5.11.2 The Committee noted that the Standing Financial Instructions had last been updated to reflect the dissolution of the Lothian Primary Care NHS Trust and the West Lothian Healthcare NHS Trust and these, including the Scheme of Delegation, had now been updated to reflect the current organisational structure.

- 5.11.3 It was noted that the changes which had been made to these documents ensured that the staff located at West Lothian with responsibilities in the acute sector had the same delegated limits and procedures as their colleagues in the Operating Division, whilst those with responsibility in primary care adhered to the delegated limits and procedures within the Primary Care Organisation.
- 5.11.4 The Chair drew the Committee's attention to the revised Committee structure agreed by the Board on 23 March which included only two Audit Sub-Committees, and Mr Tulloch undertook to review the Standing Financial Instructions and the Scheme of Delegation to ensure that it was brought into line with the current Committee structure. Mr Tulloch indicated that the Standing Financial Instructions would now be reviewed annually.
- 5.11.5 The Committee agreed to approve the updated Standing Financial Instructions (including Schemes of Delegation) subject to amendment to bring it into line with the current Committee structure.

6. External Audit Reports

6.1 Systems and Controls Review: Payroll and Staff Expenses

- 6.1.1 The Committee received a report from the External Auditors on Systems and Controls Review: Payroll and Staff Expenses for the year ending 31 March 2005.
- 6.1.2 Mr Watt advised the Committee that this was the final report and not a draft as indicated on the version provided. He explained that the review of the systems and control arrangements established by Lothian NHS Board in relation to payroll and staff expenses had been undertaken as part of the KPMG audit for the year ending 31 March 2005. He indicated that the majority of control over payroll and staff expenses were found to be operating effectively. However, the review also identified a number of areas where controls were either absent or not operating as intended. Attention was drawn to inconsistencies in practice at divisions, including differing levels of human resources input.
- 6.1.3 Mr Watt emphasised that the purpose of these reports was to highlight the risk to the organisation. It was noted that staff governance issues on pay information still had to come back to the Audit Committee.

6.2 Systems and Controls Review: Fraud and Irregularity

- 6.2.1 Mr Watt advised the Committee that whilst progress had been made in updating strategies and policies at a pan-Lothian level, the review had found the documents either been approved towards the end of 2004-05 financial year or remained in draft form awaiting approval early in 2005-06.
- 6.2.2 The Committee noted that the Counter Fraud Services Partnership Agreement had been signed by the Director of Finance prior to the 31 March 2005 deadline and the complete action plan, with associated timescales, had been considered earlier in the meeting. This had been the first Audit Committee since the

receipt of the Partnership Agreement and many of the required actions had been taken before the meeting.

6.2.3 The Committee agreed to note the report and the progress made in achieving the recommendations.

6.3 Performance Audit – Joint Future Progress Evaluation

6.3.1 The Committee received a previously circulated report from the External Auditors on Performance Audit – Joint Future Progress Evaluation (December 2004). Mr Reid advised the Committee that the fieldwork for this review was completed by December 2004 and he acknowledged that significant progress continued to be made in addressing the Joint Future Agenda by NHS Lothian beyond this date.

6.3.2 The Committee noted that the development of management arrangements was still in progress and none of the partners had implemented robust management arrangements at the time of the review. The position in respect of governance and responsibility was the same and there was a need for the risk issues identified to be formally embedded in the system.

6.3.4 It was noted that significant progress had been made in the Human Resource arrangements and that work on the Finance arrangements was still in progress in three areas. The East Lothian arrangements were considered to be insufficient.

6.3.5 The Committee noted that 18 recommendations had been agreed by management and timescales for completion had been agreed.

6.3.6 The Committee agreed to make the report available to the Community Health Partnership Chairs and ask them to come back to the Committee with comments. It was noted that there were no specific recommendations contained in the report on how to keep Joint Futures going and it was agreed to ask the Acting Director of Partnership Development to bring a report to the next meeting and to include this as an item on the agenda for the next meeting of the Primary and Community Partnership Committee.

6.4 Management Report: High-Level Financial Controls

6.4.1 The Committee received a previously circulated Management Report on High-Level Financial Controls from KPMG.

6.4.2 Mr Watt informed the Committee that all the recommendations had been accepted by management but not all of the previous recommendations had been implemented.

6.4.3 Mr Matheson re-assured the Committee that the corporate governance managers would ensure that audit recommendations were implemented throughout NHS Lothian.

- 6.4.4 The Chair advised that the University Hospitals Division had a system of checking and chasing up the implementation of Audit recommendations. Mr Matheson indicated that it was intended to take best practice and extend it over the whole of NHS Lothian. It was up to management to raise with the Audit Committee if recommendations were unable to be fully achieved within the timescale. Regular reports would be required to Divisional Audit Committees on the progress being made.
- 6.4.5 Mr Anderson suggested that there was an underlying cultural issue involved and that an Audit Register would be required to assist in follow-up.
- 6.4.6 Mr Matheson emphasised that the corporate governance managers would be key posts and it was essential that they be filled quickly. In response to a question from Mr Anderson, he undertook to give some thought to how best to deal with the education and training of Divisional managers in dealing with Audit recommendations and it was thought that the workshop model arranged through Divisional Management Teams might be appropriate. He undertook to come back to the Audit Committee with proposals on how best to change the culture throughout NHS Lothian.
- 6.4.7 The Committee agreed that High-Level Financial Controls should be a standing item on the agenda under the General heading. Mr Watt undertook to provide details of how other organisations monitored the implementation of audit recommendations.
- 6.4.8 Mr Matheson expressed a general concern about the rigidity of the traffic light indicators being used in the External Audit reports which did not, from his perspective, reflect either actual risk exposure or progress already in hand to deal with the audit point.

7. Audit Scotland Reports

7.1 A Review of Bowel Cancer Services – An Early Diagnosis

- 7.1.1 The Committee received a previously circulated paper, together with the Audit Scotland report "A Review of Bowel Cancer Services – An Early Diagnosis".
- 7.1.2 The Committee noted that appropriate implementation of the recommendations was underway in NHS Lothian through the Managed Clinical Network.

7.2 Technical Bulletin 2005/1

- 7.2.1 The Committee noted for information the previously circulated Audit Scotland Technical Bulletin 2005/1.

8. Asset Revaluation

8.1 Mr Matheson advised the Committee that he had now received second opinions on the Asset Revaluation and in particular the land value impact and these were being worked through. He was optimistic that the outcome of this would be a positive impact of several million pounds on the Board's financial position.

9. Consort

9.1 Mr Matheson advised the Committee that the Court action had been sisted for two months whilst discussions were ongoing to attempt to reach a solution.

10. Date of Next Meeting

10.1 It was agreed that a special meeting of the Audit Committee should be held on Tuesday, 21 June 2005 at 8.30am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh. The next regular meeting would be held on Monday 25 July 2005 at 9.30am in the Board Room.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 8.30am on Thursday, 30 June 2005 in the Meeting Room, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie and Mr R Y Anderson.

In Attendance: Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr P Reith (Secretariat Manager); Mr A B Tulloch (Assistant Director of Finance); Mr D Watt (External Auditor, KPMG); Mr R Flint (Acting Director of Partnership Development) (for Item 19.1); Ms V Baker (Director of Clinical Information) (for Item 19.2).

11. Minutes of the Previous Meeting

11.1 The previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 23 May 2005 were approved, subject to the following amendments:

Minute 5.11.4 - in the second line delete "only two" and substitute "three".

Minutes 6.1.2 – add "Attention was drawn to inconsistencies in practice at divisions, including differing levels of human resources input."

12. Matters Arising

12.1 Proposal for Write-Off Authorisation – Mr Matheson advised the Committee that he was pursuing the possibility of selling off bad debts to a debt collection agency.

12.2 Matrix of Audit Recommendations – the Committee noted that the Chair and Mr Anderson had still to meet to discuss the outstanding issues.

12.3 Initial Operational Audit Plan 2005/06 – the Committee noted that the purpose of the Agenda for Change Assimilation Audit had been clarified with Mr Egan and that the Knowledge and Skills framework had been replaced in the Audit Plan following EMT feedback.

12.4 NHS Lothian Activity Monitoring System – Mr Matheson reported that he had held detailed discussions with the University Hospitals Division which played into the budget process.

- 12.5 Appraisal / PDP Procedures – Mr Messer confirmed that he would pick this up when the follow-up exercise was undertaken.
- 12.6 Standing Financial Instructions and Standing Orders – Mr Tulloch advised that the Standing Financial Instructions had been updated and it was agreed that the updated Standing Financial Instructions and Standing Orders should be brought to the Audit Committee for consideration before submission to the Board.
- 12.7 Systems and Controls Review: Payroll and Staff Expenses – Mr Matheson indicated that he would be taking this up with Mr McCaffery.
- 12.8 Performance Audit – Joint Future Progress Evaluation – this would be considered in greater detail later in the agenda but it was agreed to send the report to the Chair of the Primary and Community Partnership Committee and the Chairs of the Community Health Partnerships.
- 12.9 Management Report: High Level Financial Controls – Mr Watt informed the Committee that he had provided the Finance Department with details of a suitable KPMG tool which was available for monitoring the implementation of Audit recommendations.
- 12.10 Assets Revaluation – Mr Tulloch informed the Committee that the Scottish Executive had now changed the revaluation procedure and had moved to one similar to that which had been commissioned by NHS Lothian. The outcome of the work commissioned by NHS Lothian was that the £140m increase in valuation had fallen by £110m. Some work on buildings was continuing.
- 12.11.1 It was noted that a paper on this matter would come to the next meeting of the Audit Committee with the Annual Accounts.

13. Divisional Audit Committee Minutes

- 13.1 University Hospitals Division Audit Committee – The Committee noted the previously circulated Minutes of the meeting of the University Hospitals Division Audit Committee held on 1 March 2005. It was noted that the issue of Risk Management continued to be discussed and Mr Matheson advised the Committee that the Corporate Risk Register had now almost been completed.
- 13.2 Primary and Community Division Audit Committee – The Committee noted the previously circulated Minutes of the Meeting of the Primary and Community Division Audit Committee held on 21 March 2005. Mr Anderson indicated that a subsequent meeting had been held the previous week and a report had been received on the Unscheduled Care Service. A number of action points had arisen from this report and Mr Duncanson had taken on board the need for a report to be made back to the Primary Care Organisation Board.

14. Internal Audit Reports

14.1 HQ Audit Plan: Aspects of Corporate Governance (NHS Lothian)

14.1.1 The Committee noted a previously circulated report from the Lothian and Borders Management Audit Services concerning aspects of Corporate Governance.

14.1.2 Mr Messer reported on the outcome of the survey of Non-Executive Board members which had highlighted the frequency with which agenda papers were received late with insufficient time for members to fully assimilate their contents.

14.1.3 Mr Messer indicated that the need for a number of key committees to include the requirement to produce an Annual Report in their terms of reference had been identified and was currently being addressed.

14.1.4 Mr Anderson commented on the lack of opportunity for Non-Executive Board members to network with other Non-Executive members from other NHS Boards.

14.1.5 Mr Matheson suggested that there were a number of national conferences which they could attend and it was also agreed to consider the possibility of a Scottish Conference for Non-Executive members. Mr Anderson suggested that it would be helpful if a steer could be given to Board members when they were notified about particular conferences as to whether they would be able to make any significant contribution.

14.1.6 Mr Anderson suggested that the principle adopted in the Audit reports with a brief Executive Summary at the front of the paper was helpful to Board members. He also raised the issue of the consideration of Committee Minutes at the end of the Board agenda and suggested these might be better placed where there would be more discussion of them.

14.1.7 The Committee agreed to note the report and Mr Matheson undertook to bring an update report back outlining progress to a subsequent Committee. Mr Matheson also undertook to contact the Institute of Health Service Management to suggest the possibility of a conference for Non-Executive Board members in Scotland.

15. Pan-Lothian Projects

15.1 Implementation of the Consultant Contract (Lothian NHS Board) - The Committee noted a previously circulated report from the Lothian and Borders Management Audit Services on the implementation of the consultant contract. In view of the significance of this report it was agreed to defer consideration to a subsequent meeting when more time would be available to discuss this topic.

15.2 Update on Pan-Lothian Projects - The Committee noted a previously circulated report from the Chief Internal Auditor detailing the status and ratings of Pan-Lothian 2004/05 Audits. Mr Messer indicated that all reports and management responses had been reviewed by Divisional committees and all reports with

“unsatisfactory” ratings had been brought to the NHS Lothian Audit Committee as had the Pan-Lothian Consultants Contract Implementation Review.

16. Divisional Reports with Unsatisfactory Ratings

- 16.1 Consolidated Invoicing (University Hospitals Division) – The Committee noted a previously circulated Lothian and Borders Management Audit Services report on Consolidated Invoicing within Lothian University Hospitals Division. The Chair indicated that this matter was receiving detailed attention at Divisional level and that a report would be coming from the Division through the Audit Sub-Committee Minutes. Consideration would then be given to whether the Chief Executive of the Division should be invited to the committee to provide further explanation of the issues raised.
- 16.2 Junior Doctors – Financial Control (University Hospitals Division) – The Committee noted a previously circulated report from the Lothian and Borders Management Audit Services on Financial Control in respect of Junior Doctors in the NHS in Lothian University Hospitals Division. The Committee agreed that this report should receive a fuller discussion at a subsequent meeting of the Audit Committee and agreed to defer consideration. The Chief Executive of the Division would be invited to the Committee to answer any questions, which members may have.

17. National Reports

- 17.1 2004/05 Internal Audit Reports – ATOS Origin IT Services Provided to NHS Scotland – The Committee noted the previously circulated recommendations from 2 Internal Audit reports produced on the ATOS Origin (SEMA) NHS Scotland Operations. Mr Matheson indicated that the reports reflected significant progress and undertook to keep the Committee informed of the position.

18. 2005/06 Audit Plans

18.1 Management of Annual Report 2004/05

- 18.1.1 The Committee noted the previously circulated Management Audit Annual Report for 2004/05 for NHS Lothian Headquarters produced by the Lothian and Borders Management Audit Services.

18.2 Operational Audit Plan

- 18.2.1 The Committee received the Lothian and Borders Management Audit Services Operational Audit Plan 2005/06 for NHS Lothian.
- 18.2.2 Mr Messer indicated that this Plan had been approved by the Primary Care and University Hospitals Division Audit Sub-Committees and had been agreed by the Executive Management Team. Following EMT consideration the proposed

KSF audit had been replaced with an audit focused on NHS Lothian's planning to ensure it is able to demonstrate at the appropriate time, the benefits arising from Pay Modernisation. Issues relating to endowments would be considered at the Endowments Advisory Committee. Mr Messer would attend a future Endowments Committee meeting and keep the NHS Lothian Audit Committee informed of progress.

18.2.3 The Chair suggested that it would be worthwhile liaising with the Medical Director, Dr Swainson, on the Risk Register and Mr Messer undertook to contact Dr Swainson. He also indicated that there would be representation from Internal Audit on the NHS Lothian Risk Management Steering Group. He also indicated that some work would be undertaken on the issue of Procurement.

18.2.4 Mr Matheson undertook to liaise with Mr Watt to ensure the involvement of both Internal and External Audit in this area.

18.2.5 In response to a point made by Mr Anderson concerning a previous Cancer Services Audit, it was noted that the input of Internal Audit had been welcomed and that a similar one was being conducted on Medical Equipment.

18.2.6 Mr Anderson suggested that it might be worth looking at the transfer of Trauma Orthopaedics and Mr Matheson suggested that there would be a number of issues which could usefully be examined if Internal Audit took a service development rather than a traditional policing role.

18.2.7 Mr Messer undertook to bring forward proposals and the Committee agreed to approve the Operational Audit Plan 2005/06 for NHS Lothian.

19. External Audit Reports

19.1 Performance Audit – Joint Future Progress Evaluation

19.1.1 The Committee noted the re-circulated KPMG Performance Audit on Joint Future Progress Evaluation as at December 2004.

19.1.2 The Chairman welcomed Mr Flint to the meeting.

19.1.3 Mr Flint suggested that some of the concerns expressed about the management arrangements for Joint Futures related to 2004 and even towards 2004 there had been a significant amount of work with Local Authorities undertaken. The Scheme of Establishment had finally been signed off in December and since then updated local partnership agreements had been considered at the April meeting of the Finance and Performance Review Committee.

19.1.4 Work had been undertaken with Committees identifying local improvement targets and work was being carried out on benchmarking and targets for action.

19.1.5 The Committee noted that the most significant development in this process had been the establishment of CHPs which were being vested in September 2005.

19.1.6 Whilst the extended local partnership agreements would be a useful tool, the main driver for progress in this area would be the CHPs themselves.

19.1.7 The Committee noted that the model currently functioning in West Lothian was the way ahead and with the movement of the 2 Edinburgh CHPs towards a similar system some 80% of the population was now covered by an appropriate joint structure. Significant progress had been made in terms of the Audit report and? the following year would see an impact on the CHPs.

19.1.8 Mr Anderson expressed support for the thrust of what Mr Flint had said and invited him to attend the West Lothian Partnership Forum meeting to discuss the report. Mr Anderson informed the Committee that he would also be discussing the report with Mr Kelly.

19.1.9 It was agreed that Mr Flint would take the report to the Chairs of the CHPs and the Primary Community Partnership Committee.

19.2 Information Management: Priorities and Risks

19.2.1 The Chair welcomed Ms Baker to the meeting and Mr Watt introduced the report outlining the recommendations. He indicated that a number of quite good working practices had been identified and that many had arisen from the post 2004 restructuring and the introduction of single system working. There was a need to move towards the finalisation of the e-Health strategy and appropriate resources had to be provided for Information and Technology. A combined up to date Lothian wide asset register was required as they move towards a single system approach for the management of Information Technology.

19.2.2 Ms Baker informed the Committee that the timescales had been agreed and some work was already in hand. The eHealth Strategy was complete and would be going out that week. Some areas of work could not proceed until more of the single system structure was in place.

19.2.3 The Committee noted that asset registers were as up-to-date as could be but 3 separate registers recording different information required to be amalgamated into a single register.

19.2.4 Ms Baker reassured the Committee that ad-hoc disaster recovery plans were in place but that they required to be reviewed under single system working.

19.2.5 In response to a question from Mr Anderson, Ms Baker confirmed that an adequate resource was in place to implement the recommendations and all actions had been marked out against managers in post.

19.2.6 Ms Baker confirmed that NHS Lothian fitted in well with the national strategy in respect of the use of national networks in systems.

19.2.7 In response to a question from Mr Anderson, Ms Baker advised, as independent contractors, General Practitioners were allowed to choose their own IT system.

Currently the choice could be made from a selection of 5 competing systems but it was hoped that a standardised approach would reduce this to 2.

19.2.8 Mr Matheson commented that this had been a useful report and reaffirmed that most of the issues were moving forward. He advised the Committee that the interviews for the new Associate Director of Information Management Technology would be held on 14 July and thereafter relevant staff would be competing for the relevant single system posts.

19.2.9 Ms Baker indicated that the 2 key areas for development in Lothian were the use of the CHI number as the main patient identifier across Lothian and the enhancement of infrastructure, that is ensuring adequate access to computers and robust communication networks to support the organisation.

19.2.10 The Chair thanked Ms Baker for her contribution.

20. Audit Scotland Report

20.1 Waste Management in Scottish Hospitals

20.1.1 The Committee noted for information the previously circulated key messages of the Audit Scotland Report Waste Management in Scottish Hospitals.

20.1.2 Mr Matheson advised the Committee that an action plan in response to the report would be brought to a future meeting.

21. Date of Next Meeting

21.1 It was agreed to explore the possibility of holding an additional Audit Committee prior to the Board meeting on 27 July in order to deal with the deferred items.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 25 July 2005 in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

Present: Mr S H Smith(In the Chair) and Mr R Y Anderson.

In Attendance: Mr E Egan(Chair, Staff Governance Committee); Mrs C Stevenson (Chair, Clinical Governance Committee); Mr C Marriott (Associate Director of Finance) Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr D Miller (Primary Care Finance); Mr S Reid (External Auditor, KPMG); Mr P Reith (Secretariat Manager); Ms J Smith (Associate Director of Finance); Mr D King (Acting Associate Director of Finance); Mr A B Tulloch (Assistant Director of Finance) and Mr D Watt (External Auditor, KPMG).

An apology for Absence was received from Miss L Jamie.

22. Minutes of the Previous Meeting

22.1 The previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 30 June 2005 were approved.

23. Matters Arising

23.1 Scottish Conference for Non-Executive Member (Minute 14.1.7) - Mr Matheson advised the Committee that he was in discussions with the Scottish NHS Confederation over the possibility of a Scottish Conference for Non-Executive Board Members.

JM

24. Divisional Audit Sub-Committee Minutes

24.1 University Hospitals Division Audit Sub-Committee - the Committee noted the previously circulated draft Minutes of the meeting of the University Hospitals Divisional Audit Sub-Committee held on 15 June 2005. Mr Anderson indicated that the main issues discussed had been consolidated invoicing, junior doctors and theatre stores. Further reports would be coming back to the Divisional Audit Sub-Committee on each of these items.

24.2 Primary Care Organisation Audit Sub-Committee - the previously circulated draft Minutes of the meeting of the Primary Care Organisation Audit Sub-Committee, held on 24 June 2005, were noted. Mr Anderson advised the

Committee that the need for a single system approach to IT, with particular reference to the IT help desk procedure, had been considered, together with the Unscheduled Care Service and, what appeared to be the higher than normal level of complaints. The Audit Sub-Committee would receive further reports on these matters and Mr Matheson indicated that the Unscheduled Care Service was also affected by the performance of NHS 24.

25. Annual Accounts

25.1 2004/2005 Controls Assurance Summary - the Committee noted a previously circulated report from the Chief Internal Auditor summarising the controls in place to enable the NHS Lothian Chief Executive to sign off on the annual statement on internal control. For the 2004/2005 Annual Accounts, assurance would be provided from a number of sources, including key NHS Lothian Committees (Audit, Staff Governance, Clinical Governance) and various external sources of assurance including the Annual Review and External Audit reports.

25.1.2 In addition to these, Lothian and Borders Management Audit Services had in previous years facilitated a managerial self-assessment using the Department of Health Control Assurance Standards as a benchmarking tool to provide assurance over a range of key functions. It had been agreed with both management and External Audit that this exercise would be repeated for 2004/2005.

25.1.3 The exercise had been completed at each Division and each Divisional Audit Committee had reviewed the results. The exercise had also been carried out on a pan-Lothian basis with a number of key processes which had also served to verify the Divisional self-assessment results. Mr Messer spoke to the paper and indicated that Internal Audit would be coming back to the topics covered during the year.

25.1.4 In respect of the HR computer system, Mr Egan indicated that the Director of Human Resources was looking at some of the new systems already developed in England. An Outline Business Case had been brought to the Informatics Board to see if the existing University Hospitals Division system could be extended throughout Lothian. Mr Matheson confirmed that discussions were taking place with neighbouring Boards about the possibility of a joint system.

25.1.5 Mr Egan commented that work on the Working Time Directive required to be broader than simply the Consultant Contract and Mr Messer confirmed that this was being done.

25.1.6 It was agreed that Mr Messer would bring back a paper to the next meeting with target dates and further action points from managers against each heading. Mr Matheson emphasised that priority would be given to items of highest risk.

25.1.7 The Committee agreed to note the report.

IM

- 25.2 Accounting Policies - the Committee noted a previously circulated report advising that all organisations were now required to review accounting policies on a regular basis to ensure they remained the most appropriate for the circumstances of the organisation at the present time and for the purpose of giving a true and fair view.
- 25.2.1 Mr Matheson indicated that the current accounting policies were included with the Annual Accounts and a tabled updated report was also received.
- 25.2.2 Mr Tulloch informed the Committee that there had been no significant changes since the previous year and the Committee agreed to recommend to the Board the accounting policies adopted were appropriate for the Board at the present time.
- 25.3 Impact of Land and Buildings Assets Revaluation 2004-05 – Background, Actions and Changes Effected - a tabled paper, outlining the impact of the revaluation of the Board's land and building assets as a result of the NHS Scotland revaluation of March 2004 was noted.
- 25.3.1 As at 31 March 2004 NHS Lothian, along with all other Scottish Health Boards, had its land and buildings assets revalued. This was part of the five-year asset valuation programme but the valuers who undertook this work were not the same as those who undertook it in 1995 and 1999. Although the methodology used by these valuers was the same in theory it was considerably different in practice and the impact of this was a very significant increase in the NHS Lothian asset value and a concomitant increase in capital charges.
- 25.3.2 Mr Matheson reminded the Committee that NHS Lothian has a responsibility to get advice compliant with the relevant regulations. Because of the differences between the new and the previous interpretations, it had been decided to have an independent valuation undertaken of land in the light of guidance issued by the Scottish Executive and the outcome, which had been agreed with the Scottish Executive, had led to significant reductions in capital charges to NHS Lothian.
- 25.3.3 Mr Egan commented that this exercise had been extremely worthwhile and demonstrated the worth of challenging the rules on occasion. Mr Smith congratulated Mr Matheson and the staff involved on obtaining a fair and appropriate valuation.
- 25.4 Impact of Assets Revaluation 2005 on Impairment - the Committee noted a previously circulated paper setting out the impact of the revaluation of the Board's land and buildings on the impairment costs incurred in 2004/05.
- 25.4.1 Mr Tulloch advised the Committee that as a consequence of the revaluation carried out as at 31 March 2004, it had been identified that certain asset classes at the Western General Hospital had fallen in value by £2.28 million below the net book values at which they were held. Following the 2004/05 revaluation, it had been identified that a number of these asset classes had

benefited from an upwards revaluation and, as a result, a sum of £2.236 million had been credited to the operating costs statement as recovery of sums written off in previous periods, and this had been effected.

- 25.4.2 Mr Smith commented that it would be useful to see a report listing all NHS Lothian land and buildings.
- 25.4.3 Mr Marriott indicated that the unified Property Strategy would involve the introduction of a new computer system which would shortly be able to produce the required information and it was hoped to bring a report to a subsequent meeting of the Finance & Performance Review Committee.
- 25.4.4 The Committee agreed to note the report and approve the actions taken.
- 25.5 Primary Medical Services - Quality and Outcomes Prepayment Verification, Payment Verification and Patient Exemption Checking - the Committee noted a previously circulated report outlining the work carried out across NHS Lothian in the areas of prepayment verification process for the quality and outcomes framework, payment verification and patient exemption checking relating to the financial year 2004/05.
- 25.5.1 Mr Miller outlined the work undertaken by the Primary Care Contracts' Team and the interim quality and outcome framework visits to a sample of practices by Practice Accreditation Assessors. The meeting noted that no residual issues had been identified and practices were performing at the appropriate level.
- 25.5.2 Mr Anderson congratulated Mr Miller and his team and indicated that the figures were in line with the guidelines and the sample size was a national decision.
- 25.5.3 Mr Egan expressed the hope that more random visits might be undertaken and Mr Miller confirmed that potential fraud was pursued outwith the Lothian area.
- 25.5.4 The Committee agreed to recognise the report and expressed its thanks to Mr Miller and his team.
- 25.6. Statement of Internal Control and Management Representation Letter - the Committee noted a previously circulated Statement of Internal Control and Management Representation Letter.
- 25.6.1 The Committee noted that this Statement of Internal Control was not reviewed by the External Auditors as it was based on the ongoing work of the organisation and relied on the reports received from Internal Audit. The Board had three financial targets during the year; revenue resource limit (a resource budget for ongoing operations); capital resource limit (a resource budget for new capital investment) and the cash requirement (a financing requirement to fund the cash consequences of the ongoing operations under new capital investment).

25.6.2 The performance out-turn had achieved an underspend against each of these targets.

25.6.3 After noting that the Statement of Internal Control did not relate to operational service issues, and that any minor differences in figures would be picked up in the annual accounts, the Committee agreed to recommend the Board to approve the Statement of Internal Control and draft Management Letter.

25.7 Draft External Audit Annual Report - the Committee noted the previously circulated Annual Audit Report for 2004-05 produced by the External Auditors. Mr Watt explained that a Representation Letter from the External Auditors, together with a statement of any unadjusted audit differences would be submitted by the External Auditors to the Board. In respect of the Workplan for the 2004/05, Mr Watt indicated that all works had been completed, with the exception of one study on cleaning arrangements. Although there was still some way to go on the complete implementation of single system working, NHS Lothian had coped reasonably well and a significant proportion of the CRES target had been met. The out-turn was still underpinned by £39 million of non-recurrent support and this was fully recognised by the Board. Mr Watt confirmed that the External Auditors would be issuing an Unqualified audit opinion and that there were only a few minor issues to be resolved over the next 2 days.

25.7.1 The Committee noted that once the ten clinical management groups had been established within the University Hospitals Division, it would be helpful for the External Auditors to speak at a Board Away Day to draw out the various issues raised in their report. Mr Watt advised the Committee that there would be an action plan arising from this report, which would come to a future Audit Committee and would serve as a useful tool for taking forward the issue of the Away Day.

DW/JM

25.8 Statement on Unadjusted Audit Differences - a tabled paper outlining the unadjusted audit differences was noted.

25.8.1 The Committee received an update on an accounting anomaly which had been identified during the external audit. The effect of this anomaly had been corrected in the 2004/2005 accounts. It was noted that action had already been taken regarding the member of staff concerned and that further work was to be performed by management and internal audit to identify the root cause of the anomaly and to ensure that financial control was improved where necessary. An update was to be provided to the next Audit Committee.

IM

25.8.2 Mr Watt confirmed that comments from KPMG on controls had been reported at the time to Trust/ Divisional Management and the former Trust Finance Director.

25.8.3 Mr Tulloch indicated that the other major differences were in financial year 2003/04 when both Trusts were being disbanded and a number of substantial adjustments had to be made, mainly due to changes in guidance from the Scottish Executive on how certain items of income were to be treated.

25.8.4 It was noted that Counter Fraud Services had identified the increased risks relating to primary care exemptions checking and improvements in practice would be required.

Mr Egan left the meeting.

25.9 Annual Accounts for Year ended 31 March 2005 - the Committee noted the previously circulated draft Annual Accounts and notes for the year ended 31 March 2005.

25.9.1 Mr Matheson thanked his colleagues for their efforts in producing these accounts. He explained that a surplus of £19.6 million shown in the accounts represented a very positive outcome had primarily arisen because of three technical accounting adjustments: a prescribing adjustment of £8.3 million; an agreement with the Scottish Executive on asset revaluation of £4 million and impairments around the Western General Hospital of £2.3 million. £14.6 million out of the £19.6 million was, therefore, a technical accounting adjustment only. The balance related to the deferral of income from 2004/2005 to 2005/2006.

25.10 Draft Annual Assurance Statements

25.10.1 University Hospitals Division Audit Sub-Committee - the Committee accepted the previously circulated annual report from the Chair of the University Hospitals Divisional Sub-Committee for 2004/05. It was noted that a further two Non-Executive Board Members were required for the University Hospitals Division Audit Sub-Committee, one of whom should be appointed as Chair of the Sub-Committee, and Mr Matheson undertook to follow this up with the Board Chair when existing vacancies were filled.

JM

25.10.2 Primary and Community Division Audit Sub-Committee - the Committee accepted the previously circulated Assurance Statement submitted by the Primary and Community Division Audit Sub-Committee for the period 1 April 2004 to 31 March 2005.

25.10.3 West Lothian Healthcare Division Audit Sub-Committee - the Committee accepted the previously circulated Assurance Statement submitted by the West Lothian Healthcare Division Audit Sub-Committee for the period 1 April 2004 to 31 March 2005.

25.10.4 NHS Lothian Audit Committee – the Committee accepted the previously circulated Assurance Statement submitted by NHS Lothian Audit Committee for the period 1 April 2004 to 31 March 2005 and agreed to its submission to the Board.

25.10.5 Having considered the accounts and supporting documentation, and approved the accounting policies for Lothian Health Board, and having examined and approved the Draft Annual Assurance Statement and having received the External Auditors draft audit report which gave an Unqualified Audit Opinion, the Committee agreed to recommend to the Board that the annual accounts of Lothian Health Board be approved and that the Chief

Executive sign the Statement of Internal Control and the Management Representation Letter.

26. Primary Care Division Patients' Funds Annual Accounts 2003/04

26.1 The Committee noted the previously circulated Patients' Funds Annual Accounts 2003/04 for the Primary and Community Division.

26.2 It was noted that these Accounts had been delayed by the implementation of a new IT system for the management of the Patients' Funds system at the Royal Edinburgh Hospitals and issues around the actioning of the audit. These issues had now been resolved and the Auditors had given the Accounts an Unqualified Opinion for the 2003/04 Accounts and the 2004/05 Accounts had been prepared and were now ready for audit.

26.3 The Committee agreed to recommend to the Board that the Patients' Funds Accounts for the year ending 31 March 2004 for the Primary Care Division be approved.

27. Issues of System-wide Influence

27.1 Mr Messer informed the Committee that he had drafted a letter to the Scottish Executive on issues of system-wide influence and some wider relevant issues including Consort. Any members who felt that other issues should be added to this were asked to contact Mr Messer directly.

28. Consort – Reserved Business

28.1 The Committee noted that discussions with Consort were ongoing and that progress had been made in certain areas. The core gap was not narrowing significantly, although the refinancing issue had been re-invigorated by the change in shareholders at Consort. Every opportunity would require to be explored and the Board was looking to close the matter by mid September. Some issues with Haden on staffing levels were also being discussed. Consort had been paid up to the adjudication level without prejudice.

29. Date of Next Meeting

29.1 It was noted that the next scheduled meeting of the Committee would be held on Monday, 28 November 2005 at 8.30am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 12 noon on Wednesday, 12 October 2005 in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair) and Mr R Y Anderson.

In Attendance: Mr E Egan (Chair, Staff Governance Committee); Mrs C Stevenson (Chair, Clinical Governance Committee); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr A Payne (Corporate Governance and VFM Manager); Mr P Reith (Secretariat Manager) and Mr D Watt (External Auditor, KPMG).

Apologies for absence were received from Professor J J Barbour and Mr J T McCaffery.

30. Minutes of the Previous Meeting

30.1 The previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 25 July 2005 were approved.

31. Matters Arising

31.1 The Committee noted a previously circulated paper detailing the matters arising from the Audit Committee meeting held on 25 July 2005, together with the action taken and the outcome.

31.2 Scottish Conference for Non-Executive Members (Minute 14.1.7) – Mr Matheson reported that the conference for Non-Executive Members was now being pursued through the Institute of Health Service Managers, as NHS Lothian had withdrawn from the Scottish NHS Confederation. This item was still ongoing.

31.3 Consolidated Invoicing – it was noted that this recommendation had been implemented.

31.4 Junior Doctors – Financial Control – it was noted that this recommendation had been implemented.

31.5 Controls Assurance Summary – it was noted work was still ongoing in the Primary Care Organisation and University Hospitals Division and Mr Messer advised that this work would be completed shortly.

- 31.6 Draft External Audit Annual Report – it was noted that this recommendation had been implemented and the draft External Audit Annual Report had been presented to the Board meeting on 28 September 2005.
- 31.7 Statement on Unadjusted Audit Differences – it was noted that an Internal Audit review of the capital accounting process, including the specific circumstances of the accounting anomaly, was underway in the University Hospitals Division and would be reported to the next University Hospitals Division Audit Sub-Committee.
- 31.8 Draft Annual Assurance Statements – the Committee noted that appointments to Lothian NHS Board were awaited from the Scottish Ministers and once these had been received the vacancies on the Sub-Committee would be filled.
- 31.9 Audit Scotland Overview – Mr Watt advised that the Audit Scotland Overview was expected over the next few weeks. He was aware of one case study on NHS Lothian dealing with the continuing use of non-recurring monies and the delivery of CRES savings.
- 31.10 Unscheduled Care IT Support – it was noted that the Operating Division was in discussion with Human Resources on how best to deliver 24/7 IT support for the Unscheduled Care service.

32. Divisional Audit Sub-Committee Minutes

- 32.1 University Hospitals Division Audit Sub-Committee – the Committee noted the previously circulated draft Minutes of the meeting of the University Hospitals Division Audit Sub-Committee held on 31 August 2005.
- 32.1.1 It was noted that internal audit work was continuing on income from private patients and a report would be submitted to the next Divisional Audit Sub-Committee meeting in December 2005. Management was continuing to focus on improving uptake of appraisals and personal development plans and Mr Egan commented that the Staff Governance Committee was aware of continuing gaps in the implementation of personal development plans in NHS Lothian. It was also noted that a report would be coming back to the University Hospitals Divisional Audit Sub-Committee on locum doctors and that the Division had now introduced a new protocol ensuring that no payments would be made for goods for which an order had not been properly raised.
- 32.1.2 Mr Egan indicated that he was aware of continuing problems in the area of requisitioning the lease of specialist beds, and Mr Matheson commented that it would be helpful if specific examples could be passed to him. Mr Payne undertook to take this matter up with Mr Egan.

AP

33. Internal Audit Report

33.1 2004/2005 Pan-Lothian Reports

33.1.1 NHSL 2004 -18 – Implementation of Consultants Contract (May 2005) – the Committee noted a previously circulated report on the implementation and effective delivery of the requirements of the Consultant Contract Framework. It was noted that the review had identified a number of difficulties and challenges which required to be addressed in order to improve the effectiveness and monitoring of the new arrangements. Within the report, recommendations had been made to aid management in fully taking forward service change requirements which were essential if NHS Lothian was to achieve the expected benefits from the consultants contract. Other recommendations (concerning project management, data collection and the resource implications of such major projects) had been made which were effectively lessons learned from the process which could benefit future pay modernisation implementation projects. A number of the audit issues also highlighted some examples of procedural non-compliance by the organisation and individual members of staff.

33.1.1.1 Mr Egan indicated that some changes had been implemented but many were still to come. He questioned certain Consultant practices, such as domiciliary visits by Psychogeriatricians and queried whether these were being done automatically.

33.1.1.2 It was noted that a number of points in the report required to be taken forward, and it was agreed to invite Margaret Mowat to the next meeting to assist the Committee in its discussions.

33.1.1.3 Mr Anderson suggested that as there were a number of compliance issues, it would be helpful if management could provide an update report for the next meeting.

JTM

33.2 Divisional Reports with Unsatisfactory Ratings

33.2.1 LUHD 04 – 34 – Junior Doctors – Financial Control (April 2005) – Mr Messer spoke to the report and indicated that issues leading to the unsatisfactory rating related to overall rota planning, rota monitoring, financial control and the payroll change process. Internal Audit had been made aware of, or identified, a number of significant errors in payment to staff, and a number of process weaknesses which had contributed to these errors. He did not believe that the current process was adequate to ensure that junior doctors' salary payments were accurate at all times.

33.2.1.2 Mr Matheson suggested that in respect of staff who had received salary overpayments and subsequently left NHS Lothian, but were working elsewhere in the NHS in Scotland, recovery through the Scottish payroll system should be examined.

33.2.2 WLD 04 – 15 – Locum Doctors – Financial Control (January 2005) – Mr Messer informed the Committee that the Local Doctors Framework for the

acute side of West Lothian had been reviewed in November and December 2004, and the review had highlighted a number of control weaknesses, including the system of control and the procedures adopted. Management had not yet met to take forward the recommendations and were urged to ensure the group met promptly to develop their action plan.

33.2.2.1 Mr Payne reported that a working group had been established to deal with this matter as a pan-Lothian approach was felt to be necessary.

33.2.2.2 The Committee expressed concern at the lack of progress in this matter and at the uncertain compliance with the national contract. It was agreed that this matter should be considered at the next University Hospitals Division Audit Sub-Committee meeting and requested management attend the next meeting to provide assurance that the actions in the report were being progressed.

AP

33.2.2.3 It was agreed that Mr Payne would ascertain the current position and report back to the next meeting how the action was being taken forward.

AP

33.2.2.4 It was also agreed that the Head of Medical and Dental Staffing be invited to speak to the next committee meeting on this subject and on the subject of Junior Doctors.

LJ

33.3 2005/2006 Internal Audit Activity

33.3.1 Lothian NHS Board Headquarters 2005/2006 Audit Update (October 2005)

The Committee noted a previously circulated report giving an update on the Headquarters 2005/2006 Audit.

33.3.1.1 Mr Messer indicated that two reports had been completed, two were ongoing, three were in drafting and a further two were in the planning stage.

33.3.1.2 The Committee noted the report.

33.3.2 Lothian NHS Board Pan-Lothian 2005/2006 Audit Update (October 2005)

33.3.2.1 A previously circulated update on the Pan-Lothian 2005/2006 Audit was noted.

33.3.2.2 Mr Messer advised the Committee that the Audit Plan Review was coming in under budget at the moment and its implementation was being tracked. Mr Payne suggested that members could be emailed with the scope of each internal audit review prior to its commencement and Mr Messer undertook to do this.

IM

33.3.2.3 Mr Messer also undertook to discuss with Mr Matheson the timing of some of the outstanding audits.

IM

33.3.2.4 Mr Egan suggested that it would be helpful to identify senior managers on redeployment for long periods and it was agreed that this should be taken forward through the Director of Human Resources.

JTM

33.3.3 NHS Lothian Corporate Risk Register August 2005

33.3.3.1 The Committee noted a previously circulated paper documenting the results of risk assessment discussions held with members of the Executive Management Team and Non-Executive Chairs of key governance committees which aimed to enable the creation of the first single system Corporate Risk Register for NHS Lothian.

33.3.3.2 Mr Messer introduced the paper and indicated that a number of risk areas had clearly emerged as the most important facing NHS Lothian at this moment, and these were financial performance/sustainability, standards of care and information management and technology. A total of nineteen risk groups had been identified, as had the next steps to complete the Corporate Risk Register process.

33.3.3.3 The Committee noted that Dr C P Swainson was taking this matter forward, as the Executive Director responsible for risk management, and it was agreed to invite Dr Swainson to report on progress on this matter to the next meeting of the Audit Committee.

PR

33.3.3.4 Mr Anderson emphasised that it was important that the outcome of the process was a system which would be of use to management and help them to carry out their jobs.

33.3.3.5 Mr Matheson suggested that it was important to ensure that the new corporate risk register and local risk registers were joined up and that duplication of effort was avoided. He would also expect to see local risk registers, as the local system would need to be implemented and it was agreed that the Chair and Mr Payne would contact Dr Swainson.

LJ/AP

33.3.4 Implementation of Partnership Agreement with NHS Scotland Counter Fraud Services

33.3.4.1 The Committee noted a previously circulated report, advising of progress in taking forward the requirements of the Partnership Agreement with NHS Scotland Counter Fraud Services.

33.3.4.2 It was noted that effective working relations had been established with Counter Fraud Services staff and a programme of quarterly joint meetings was underway. Responsibilities had been clarified within NHS Lothian and the Counter Fraud action plan had been communicated throughout NHS Lothian via the Team Brief and Intranets and would be featured in the November issue of Connections. In addition, guidance for use in induction session had been agreed with Human Resources.

33.3.4.4 Mr Egan commented that, notwithstanding the policy on appropriate lines of communication, Staff Side representatives remained entitled to communicate with the media directly and could not agree with the requirement to clear any such contact with the Chief Executive. Mr Messer agreed to confirm with

Counter Fraud Services his understanding that the guidance for staff had been agreed nationally via the Scottish Partnership Forum.

33.2.4.5 The Committee agreed to note the report.

33.2.5 NHS Scotland Shared Support Services – Internal Audit Review Workstream

33.2.5.1 A previously circulated report advising members of the review of the approach to the delivery of internal audit services within NHS Scotland was noted.

33.2.5.2 Mr Messer advised the Committee that Internal Audit required to adapt to national shared service process developments and a review of Internal Audit services would commence shortly, with key stakeholders being consulted.

33.2.5.3 After noting that the Chair of the Finance & Performance Review Committee should also be consulted, the Committee agreed to note the report.

33.2.5.4 Mr Anderson reminded all those in attendance that the NHS Scotland Audit Forum would be discussing this issue the following week.

34. External Audit Reports

34.1. Lothian NHS Board – Management Report – Audit: Year ended 31 March 2005

34.1.1 The Committee noted a previously circulated management report from KPMG on the Audit for the year ended 31 March 2005.

34.1.2 Mr Watt advised the Committee all of the 14 recommendations contained in the report had been agreed with management.

34.1.3 Mr Egan questioned how the Committee could be sure that all of the agreed recommendations were implemented and Mr Payne advised that a system of follow-up was being developed to give assurance on implementation.

34.1.4 The Committee agreed to note the report.

34.2 Lothian NHS Board – Overall Arrangements: Priorities and Risks – Overview and Action Plan – Audit: Year ended 31 March 2005

34.2.1 The Committee noted a previously circulated report from the External Auditors outlining the Board's processes and controls over the seven of the eight priorities and risks in respect of the year ended 31 March 2005.

34.2.2 Mr Watt advised the Committee that the eighth priority, in respect of information management and technology, was being looked at separately. A list of issues had already been picked up in the annual audit report and management were taking action to deal with them.

- 34.2.3 Mr Matheson acknowledged Mr Payne's role with regard to the development of a thorough response to the draft report, and providing a liaison role between management and the auditors.
- 34.2.4 Mr Payne advised the Committee that assurance would be given through the system of follow-up that he was currently developing.
- 34.2.5 The Committee noted that the production of Board's annual report was on track and that the annual general meeting had been rescheduled to 1 December.
- 34.2.6 In response to a question from Mr Anderson on how this useful document could be cascaded, Mr Payne suggested that it could be placed on the University Hospitals Division Intranet and circulated to managers at a devolved level. In addition, the Executive Management Team had received this.
- 34.2.7 The Committee agreed that there would be benefit in having the report taken through the Primary and Community Partnership Committee, Divisional Management Team and the Lothian Partnership Forum.

AP

35. Audit Scotland Reports

- 35.1 "A Scottish Prescription" – Managing the Use of Medicines in Hospitals
- 35.1.1 The Committee noted the previously circulated Audit Scotland report "A Scottish Prescription" – Managing the Use of Medicines in Hospitals.
- 35.1.2 The Committee noted that appropriate implementation of the recommendations was underway in NHS Lothian and Mr Matheson advised that Lothian had a joint formulary with which there was 90% compliance.
- 35.1.3 The Committee was of the view that this was a helpful report and noted that there were still issues regarding pharmaceutical representation at Board level and single system budget links, both of which were being followed up.
- 35.2 "Moving On" – An Overview of Delayed Discharges in Scotland
- 35.2.1 The Committee noted the previously circulated Audit Scotland publication "Moving On" – An Overview of Delayed Discharges in Scotland.
- 35.2.2 It was noted that appropriate implementation of the recommendations was underway in NHS Lothian.

36. Date of Next Meeting

- 36.1 It was noted that the next meeting of the Audit Committee would be held on Monday 28 November 2005 at 9.00 a.m. in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 27 February 2006 in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair); Mr R Y Anderson and Mr S J Renwick.

In Attendance: Mr E Egan (Chair, Staff Governance Committee); Mr J Forrester (Risk Manager); Mr B Martin (Head of Corporate Report and Corporate Governance); Dr A K McCallum (Director of Public Health) (For Item 49); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr A Payne (Corporate Governance and VFM Manager); Mr D Proudfoot (Deputy Chief Internal Auditor); Mr P Reith (Secretariat Manager); Mrs C Stevenson (Chair, Clinical Governance Committee) and Mr A B Tulloch (Assistant Director of Finance).

An apology for absence was received from Mr D Watt (External Auditor, KPMG).

The Chairman welcomed members to the meeting and advised the Committee that this would be Mr Tulloch's last meeting of the Audit Committee before his retirement the following day. On behalf of the Committee, the Chair extended best wishes to Mr Tulloch on his retirement.

46. Minutes of the Previous Meeting

46.1 The previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 28 November 2005 were approved.

47. Matters Arising

47.1 The Committee noted a previously circulated paper detailing the matters arising from the Audit Committee meeting held on 28 November 2005, together with the action taken and the outcome.

47.1.1 Audit Management of Clinical Staff Leave (Minute Reference 41.2.5) – Mr Messer advised the Committee that this audit would not now be undertaken in this financial year, as management had indicated that the procedures were not yet fully in place to enable the audit to be undertaken. The original timing for the audit had been set to enable the audit to confirm compliance with these new procedures. Management were still working on these and had requested a

later date. Mr Messer agreed with the Medical Director to a start date in the new financial year.

47.2 Tendering for Valuation Advice of Low Value (Minute Reference 41.3) – Mr Matheson advised the Committee that a response was awaited from the Scottish Executive.

47.3 Records Management in NHS Lothian (Minute Reference 41.6.4) – Mr Proudfoot advised the Committee that the comments on the draft were due at the end of the month and to supplement this all that was awaited was relevant Scottish Executive guidance.

48. Audit Sub-Committee Minutes

48.1 Primary Care Organisation Audit Sub-Committee – the Committee noted the previously circulated draft Minutes of the Primary Care Organisation Audit Sub-Committee held on 24 January 2006.

48.1.1 Mr Anderson highlighted the area of patient exemption checking and the payment verification and emphasised that CHPs required to get closer to these.

48.1.2 Mr Renwick queried how issues such as the unsatisfactory Fleet Management of Fleet Transport Training Requirements report would be progressed, and Mr Anderson advised that he would expect action following the discussion at this meeting.

48.1.3 Mr Renwick indicated that this was an area that carried risk for NHS Lothian and cited the example of the need for full disclosure for drivers who had to enter customer or patient's houses.

48.2 University Hospitals Audit Sub-Committee – the Committee noted the previously circulated Minutes of the meeting University Hospitals Audit Sub-Committee held on 17 November 2005.

49. Financial Governance

49.1 Draft NHS Lothian Standing Orders and Standing Financial Instructions – the Committee noted a previously circulated report, together with the revised NHS Lothian Standing Orders, a chart showing the remits and membership of the Board Committees, the terms of reference for the Board Committees, the Standing Finance Instructions and the Scheme of Delegation.

49.1.2 Mr Payne advised the Committee that the content of the Standing Orders was largely driven by legislation and the Board did not have much scope as to what was included. The presentation of the text had been improved and some material not required in the Standing Orders removed.

49.1.3 The chart of Committees had been updated to reflect current membership and would continue to be updated to reflect any movements in personnel.

49.1.4 The Standing Financial Instructions also used the same standardised text as was used in other parts of NHS Scotland and the opportunity had been taken to remove unnecessary duplication.

49.1.5 The Scheme of Delegation had undergone the most significant change, with four Schemes of Delegation being reduced to two. Each Scheme had three sections, as opposed to the previous five and provided a road map through the various routes of budgetary accountability in NHS Lothian.

49.1.6 At the suggestion of Mr Anderson, it was agreed to incorporate the Codes of Conduct and Accountability and the Code of Practice on Openness issued by the Scottish Executive in order that the Standing Orders and their appendices could be produced as a stand-alone package.

PR

49.1.7 Mr Renwick questioned the opportunity for cash management and procedures for dealing with fraud and procurement. Mr Matheson explained that Health Boards could no longer gain benefit from cash management and that both fraud and procurement were fully covered within the revised Standing Orders.

49.1.8 At the suggestion of the Chair, it was agreed to add national tariffs to paragraph 9 on page 19 of the Standing Financial Instructions.

AP

49.1.9 Mr Egan indicated that he was satisfied with the wording from a staff governance perspective, and it was noted that references to costings were made inclusive of VAT in order that the totality of cost could be known, as it was not always certain which items would be able to successfully claim VAT refund.

49.1.11 Mr Payne explained that the documents would be made widely available through the Intranet and it was agreed that they should be included in the Board's publication scheme.

49.1.12 The Committee agreed to recommend the adoption of the revised Standing Orders, terms of reference, Standing Financial Instructions and Schemes of Delegation to Lothian NHS Board.

JM

49.2 Update on National Shared Services – the Committee noted a previously circulated paper containing a briefing on a range of issues emerging from the National Shared Support Service Project.

49.2.1 Mr Matheson confirmed that he was fully supportive of the direction of travel but he was concerned that this exercise would be led by financial targets and there was the possibility of destabilisation of certain services. The project was making some very challenging assumptions, although in line with national policy, there would be no compulsory redundancies. Mr Matheson felt it would be useful to bring a report produced by PricewaterhouseCoopers on this issue to the Committee.

49.2.2 Mr Egan congratulated Mr Matheson on his work on this matter and questioned the achievability of the timetable. He suggested that staff were unsure why

they should dismantle working systems to replace them with other systems, which would then be dismantled.

49.2.3 Mr Renwick supported Mr Egan's comments and suggested that a report be produced to the Board highlighting the issues.

49.2.4 Mr Matheson indicated that Internal Audit, which was referred to in the original report, had now been removed from the scope of the exercise. Mr Tulloch advised that no indicative timetable had yet been produced, although a number of workshops were being held later in the year and affected staff were being given monthly briefings.

49.2.5 After some discussion, the Committee agreed that a paper on National Shared Services should be submitted to the Board and that this should be made a standing item on the Audit Committee agenda. **BM**

49.3 Update on Annual Accounts Process – Mr Tulloch informed the Committee that Audit Scotland had brought forward the deadline for the submission of annual accounts by one month. A timetable had been drawn up towards this end, and Mr Tulloch was confident that NHS Lothian would meet the deadlines by the date if the timetable was adhered to. Ms Barbara Livingston would be acting as co-ordinator for the collection of the necessary information from the Primary Care Organisation and the University Hospitals Division.

49.4 Audit Committee Workshop – Mr Matheson advised the Committee that he had discussed this with the Chair and it was felt that an Audit Committee Workshop would be useful to members and views were being sought on a number of possible topics.

49.4.1 Mr Egan supported this suggestion, as did Mr Renwick, and Mr Matheson advised that his secretary would be contacting members to arrange diaries. **JM**

50. Internal Audit Reports

50.1 Lothian and Borders Management Audit Services – NHS Lothian Primary Care Organisation, Fleet and Transport Training Requirements (LPCO 2005-30, February 2006) – the Committee noted a previously circulated report on fleet and transport training requirements.

50.1.2 It was noted that the opinion of the Lothian and Borders Management Audit Services was that controls in this area were unsatisfactory and that NHS Lothian was exposed to considerable potential risk as a consequence. It was noted that management had agreed with these issues and the Director of Facilities had confirmed that an action plan was in place to address them.

50.1.3 Mr Egan commented that there were still some significant deficiencies in the system and cited as an example the fact that there had been no changes to the contracts of any staff allowing for referral to Occupational Health. He explained that linkages over areas where people required to drive were necessary. A number of other areas also required to be taken into account. For example it

was not part of the standard contract that staff should disclose driving convictions.

50.1.4 Mr Egan undertook to take up the Human Resource elements with the Director of Human Resources, and would feed back through Mr Matheson and Mr Jack. **EE**

50.2 Lothian and Borders Management Audit Services – Lothian NHS Board Headquarters 2005/06 Audit Update (February 2006) – the Committee noted the previously circulated Headquarters 2005/06 Audit Update and Mr Messer explained that child protection was now the only review from the 2005/06 HQ Audit Plan which was not complete or currently scheduled.

50.2.1 Dr McCallum advised the Committee that the current situation reflected significant historical under-investment and, whilst the Caleb Ness report recommendations had been implemented, not all subsequent changes had yet been introduced. There were concerns about the time of staff and the morale and motivation if they were to be involved in an internal audit at the same time as introducing the changes and dealing with the current workload associated with a number of child protection incidents in Lothian.

50.2.2 Mr Matheson emphasised that the aim of Internal Audit was to provide a supportive service and he was reluctant to sanction further delays.

50.2.3 After some discussion, the Committee agreed to move the audit forward as soon as possible with commencement in March being preferred. In particular, the audit should identify areas where the achievement of required targets was not possible. It was noted that a further audit could be held in 2006/07 in order to track changes and monitor the situation. **IM**

50.3 Lothian and Borders Management Audit Services – Lothian NHS Board Pan-Lothian 2005/06 Audits Update (February 2006) – the previously circulated report from the Chief Internal Auditor on the Pan-Lothian 2005/06 audits update was noted.

50.3.1 Mr Messer advised the Committee that he expected to have a number of Internal Audit reports for consideration at the next meeting and the Committee noted that the Shared Services Project Board had agreed to remove Internal Audit services from the scope of the National Shared Services Business Case.

50.4 Lothian and Borders Management Audit Service – NHS Lothian HQ – Public Health Project Management (LHB2004–16, February 2006) – the Committee noted a previously circulated report on Public Health Project Management that indicated the process in place for managing projects required improvement. Elements of good practice had been noted, as had areas where current practice needed to improve to ensure there was effective management of the projects.

50.4.1 Dr McCallum advised the Committee that Public Health would be adopting the Healthy Respect templates and staff changes would enable more linkage to occur.

50.4.2 Mr Renwick queried whether the closing of fixed term projects at the end of their life was interpreted by the media as "cuts" and Mr Messer advised the Committee that a number of NHS service developments started as one-off projects which might subsequently become eligible for permanent funding as new developments. Mr Matheson emphasised the importance of having outcome and output measures for these projects in order to measure success.

50.4.3 Mr Egan and Mr Anderson both fully supported the report and Mr Anderson questioned how the overall picture could be obtained of the various projects in NHS Lothian.

50.4.4 The Chair suggested that this might be included in next year's Audit Plan.

IM

50.4.5 The Chair thanked Dr McCallum for her assistance.

50.5 Lothian and Borders Management Audit Services – NHS Lothian Counter Fraud Service Referrals (LHB-2005-04, February 2006) – the previously circulated report on Counter Fraud Referrals was noted.

50.5.1 Mr Messer indicated that the Fraud Liaison Officer was required to set up and maintain a log of frauds identified, which should be reviewed annually by the Audit Committee.

50.5.2 The report contained all referrals rising during 2005/2006 to date, as well as referrals arising in the previous year which were carried into 2005/06.

50.5.3 Two cases in particular were worthy of note, the first in which a patient was alleged to have been attending hospital by bus since 2002 whilst claiming taxi expenses had resulted in criminal action being taken against the patient, who had pled guilty to eleven charges and the case was now closed. The second related to allegations of fraud at a Dentist's surgery and this case was currently with the Crown Office for review of evidence and procedures.

50.5.4 Mr Renwick questioned how the message about fraud and how to detect it could be taken to staff.

50.5.5 Mr Messer reported that details of the Fraud Policy were posted on the Board's Intranet and the Policy had been issued to relevant staff and managers. In addition counter fraud material had been agreed for use in induction sessions

50.5.6 Mr Renwick suggested that an article in "Connections" might be appropriate and Mr Messer advised that an article on Counter Fraud had already been published.

50.5.7 Mr Anderson advised members of the Committee that a presentation by Counter Fraud services would be made at the next meeting of the Audit Committee Forum to be held in the Scottish Health Service Centre at the Western General Hospital, Crewe Road, Edinburgh at 2.30pm on Wednesday, 1 March 2006.

50.6 NHS Lothian Risk Management Self-Assessment (LHB 2005-08, February 2006) – the Committee noted a previously circulated report on Risk Management Self-Assessment demonstrating progress that had been made in a number of areas, including clearly establishing Board-level commitment to the process and the finalising of the Risk Management Strategy.

50.6.1 In a number of areas, the single system risk management process remained at the "in progress" stage and it was hoped that self-assessment would assist management in making further process in these areas.

50.6.2 Mr Forrester advised the Committee that he hoped that two of the category 3 items could be moved to category 4, once planned clinical governance risk management structures were in place. He hoped that within 6-9 months all items would be in category 3 (Satisfactory) or above.

50.6.3 Mr Egan expressed the view that risk management was still not being given due importance and Mr Anderson questioned where issues such as appraisals not being undertaken for 40% of nursing staff would be reflected.

50.6.4 Mr Messer indicated that issues such as failure to agree Personal Development Plans for staff should be on the Risk Register and undertook to confirm this. **IM**

50.6.5 Mr Proudfoot suggested that it would be helpful for this report to be fed into the risk management groups at Divisional level, and the Chair suggested that risk management should be a standing item on the CHP and Divisional Management Team agendas. Mr Matheson suggested that it should also be discussed at local (i.e. ward) level. **CPS**

51. Follow-Up of Prior Year Audit Recommendations

51.1 A previously circulated paper giving an update on the progress of the follow-up of pan-Lothian audit recommendations providing an update on the recommendations followed up so far was noted.

51.2 Mr Payne advised the Committee that the report contained all the recommendations relating to pan-Lothian / HQ over the last two years, except the 2003/04 external audit ones and the process of following these up would be continuing.

52. National Reports/Guidance Material

52.1 Overview of the Performance of the NHS in Scotland 2004/05 – the Committee for information the previously circulated overview of the performance of the NHS in Scotland 2004/05 produced by Audit Scotland.

52.1.2 Mr Matheson commented that the report did contain recognition of the cost pressures on Health Boards, giving as an example the £70 million cost to NHS Lothian of the new Consultant and GMS contracts and Agenda for Change, of which only £20 million was met by the Scottish Executive, leaving NHS Lothian

to bear the cost of £50 million. He indicated that the potential funding gap of £24 million referred to in the report was being covered by 2005/06 targets including prescribing and CRES.

52.1.3 Mr Egan commented that under the new system some Consultants appeared to be working shorter hours than before and undertook to discuss the Lothian element of the report with Mr Matheson. **EE/JM**

52.2 Audit Scotland Technical Bulletin 2005/4 December 2005 – the Committee noted the previously circulated Technical Bulletin 2005/4 issued by Audit Scotland.

52.2.1 Mr Matheson advised that this report contained a health section only and was a very useful catalogue of reports and issues.

53. Date of Next Meeting

53.1 It was noted that the next meeting of the Committee would be held on Monday, 24 April 2006 at 9.00am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 24 April 2006 at 9.00am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair); Mr R Y Anderson; Mr W Bennett; Mr S Renwick and Mr I Whyte.

In Attendance: Ms D Carmichael (Associate Director of Finance); Dr A McCallum McCallum (Item 8) (Director of Public Health & Health Policy); Mr B Martin (Head of Corporate Report & Corporate Governance); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Ms M Mowat (Head of HR Medical & Dental Staffing); Mr A Payne (Corporate Governance & VFM Manager); Mr D Proudfoot (Deputy Chief Internal Auditor); Mr S Reid (External Auditor, KPMG); Mr P Reith (Secretariat Manager); Mr S Smith (Chair, Healthcare Governance & Risk Management Committee) and Ms H Tierney-Moore (Item 5.8) (Nurse Director).

Apologies for absence were received from Mr E Egan (Chair, Staff Governance Committee) and Mr D Watt (External Auditor, KPMG).

1. Minutes of the Previous Meeting

1.1 The previously circulated Minutes and Action Note of the meeting of the NHS Lothian Audit Committee, held on 27 February 2006, were approved.

2. Matters Arising

2.1 The Committee noted a previously circulated paper detailing the matters arising from the Audit Committee meeting held on 27 February 2006, together with the action taken and the outcome.

2.1.1 Update on National Shared Services (Minute 49.2.5) – Mr Martin advised the Committee that three centres would be holding workshops; Glasgow, Aberdeen and Edinburgh. Mr Martin would attend the Edinburgh workshop on 14 May. Mr Martin also advised that an initial meeting had been held with Human Resources and Organisational Development Groups on the delivery of shared services, and detailed reports would be submitted to the Board.

2.1.2 Fleet and Transport Training Requirements (Minute 50.1.4) – Mr Egan would provide an update at the next meeting.

EE

2.1.3 Child Protection Audit (Minute 50.2.3) – Mr Payne reported that an Audit Outline had now been agreed with Ms L Bentley.

- 2.1.4 NHS Lothian Risk Management Self-Assessment (Minute 50.6.4.) – Mr Matheson advised that the failure to agree Personal Development Plans for staff should be on the Risk Register and he undertook to take this forward with Dr Swainson.
- 2.1.5 Overview of the Performance of the NHS in Scotland 2004/05 (Minute 52.1.3) – the Committee noted that this matter had not yet been finalised and an amended form of words had been proposed and was under consideration. DON'T UNDERSTAND MINUTE??would be carried over to the next meeting.
- 2.2 Local Doctors Audit Report – West Lothian – a previously circulated paper from Ms Mowat giving an update on the situation in respect of financial control of locum doctors in West Lothian was received.
- 2.2.1 Ms Mowat advised that the risks had been minimised at St John's Hospital and reported that the working group had felt that a more coherent procedure was required and this was being piloted at St John's. A number of options were being considered.
- 2.2.2 Mr Bennett recalled that discussions had been held by the Board regarding criminal records checks and he questioned whether a centralised checking system for locum doctors might not be required.
- 2.2.3 In response to a question from Mr Matheson concerning the operation of the contract, Ms Mowat confirmed that only two main agencies were now used and, only once particular staff could not be found through these agencies, were other agencies used.
- 2.2.4 The Committee agreed to note the report.

3. Audit Sub-Committee Minutes

- 3.1 University Hospitals Audit Sub-Committee – the Committee received the previously circulated Minutes of the meeting of the University Hospitals Division Audit Sub-Committee held on 9 March 2006.
- 3.2 Mr Renwick Smith emphasised that these were draft Minutes only and that the issue of income generation was being picked up at the next meeting. The issue of private patients was being examined carefully and it was likely that an interim report would be available in 4-5 months. The unsatisfactory report on Credit Control procedures would be picked up at 5.1 of this agenda.

4. Governance Link to Other Committees

- 4.1 Mr Smith advised the Committee that as the Chair of the Healthcare Governance & Risk Management Committee, he wanted to ensure better links between the Audit Committee and the Healthcare Governance and Risk Management Committee. In particular, he recommended that a more challenging role be taken on by the Audit Committee and that this should

include visits such as the ward visits undertaken by the Healthcare Governance and Risk Management Committee.

- 4.2 Mr Smith also favoured a greater exchange of ideas using a medium such as the best practice bulletin and in the drawing up of the Audit Plan. The Healthcare Governance & Risk Management annual report should also be considered by the Audit Committee, as should the Risk Management annual report.
- 4.3 Mr Matheson was generally supportive of this approach and suggested that the Healthcare Governance & Risk Management report from the March Board meeting should be considered at the next meeting of the Audit Committee. **CPS**
- 4.4 The Committee noted that it was important to achieve a balance and that whilst each Committee should be aware of what the other was doing, duplication should be avoided. The Chair also suggested that clinical audit should be linked in with Internal Audit to ensure a best fit, and it was agreed to ask Dr Swainson to look at possible linkages. **CPS**
- 4.5 Mr Smith suggested that it would be helpful for the Committees to start by sharing Minutes through email and it was noted that Mr Smith would be meeting with the Chair, the Chair of the Finance & Performance Review Committee and Mr Matheson to discuss the role and linkages of the three Committees. **SHS/LJ/JM**
- 4.6 Mr Matheson suggested that the issue of information governance should not be ignored and it was agreed to ask that Mr M Egan should be asked to produce a report. **JMAP**

5. Internal Audit Reports

- 5.1 Reports Received at Sub-Committees with Unsatisfactory Ratings – Lothian and Borders Management Audit Services – NHS Lothian University Hospitals Division Credit Control Procedures, LUHD 2005-24, February 2006 – a previously circulated briefing note on credit control procedures was received.
- 5.1.1 The Chair welcomed Ms D Carmichael, Associate Director of Finance at the University Hospitals Division to the meeting.
- 5.1.2 Mr Messer introduced the report and explained the issues identified during the review of UHD credit control procedures which had led to the rating of “unsatisfactory” concerns over a number of unsatisfactory ratings.
- 5.1.3 Ms Carmichael advised the Committee that a significant amount of work had been undertaken and progress had been made on a number of the points. Credit control procedures had been documented and Financial Controllers were now working on a pan-Lothian basis.

- 5.1.4 Credit control procedures were applied consistently, and monthly meetings were being held with Consort to discuss outstanding debt. It was noted that earlier stricter controls for IVF patients had been reinstated.
- 5.1.5 The Committee noted that significant improvement in progress had been made following the receipt of the Audit Report and management would be reviewing the position in three months time. Ms Carmichael advised the Committee that by the end of March, the total of aged debt in the "over 90 days" category had reduced to 26% of the total debt.
- 5.1.6 Mr Renwick expressed concerns over a number of issues and sought clarification on the amount of time spent on corrective action, whether the option of payment in advance of treatment had been considered, the opportunity costs of failing to collect outstanding debts and the absolute values of these debts. Ms Carmichael undertook to respond directly to Mr Renwick on these points. **DC**
- 5.1.7 Mr Anderson emphasised the need to ensure that staff understood the priority attached to this subject as Ms Carmichael emphasised that the general category "private patients" covered BUPA, fee paying patients and overseas patients, many of whom were emergencies. Mr Anderson also asked for a copy of an organisational chart of the finance function and Ms Carmichael agreed to provide this for members. Regular finance meetings were being held and the final figures were anticipated by the end of April. **DC**
- 5.1.8 Mr Matheson emphasised that a senior staff member should be involved in the meeting with Consort and Ms Carmichael undertook to ensure that this came about. **DC**
- 5.1.9 Ms Jamie questioned whether any procedures to prevent bad debtors coming back and building up more debts had been instituted and Ms Carmichael confirmed that this was the case.
- 5.1.10 Mr Matheson emphasised the need for the Committee to look at the problem in terms of the overall picture. NHS Lothian did not see bad debts write-off as a soft option and Mr Renwick undertook to pick up a number of these points with Ms Carmichael and take them through the University Hospitals Division Audit Sub-Committee, feeding back to the Audit Committee at the end of June. **SGR**

Pan-Lothian / HQ Reports

- 5.2.1 Lothian and Borders Management Audit Services – Lothian NHS Board Pan-Lothian 2005/06 Audits Update (2006) - the Committee noted the previously circulated Pan-Lothian 2005/2006 Audits Update and Mr Messer indicated that a number of completed drafts were with management. Other projects included medical staff management of leave, which was now in the 2006/2007 Audit Plan as intimated to the last Committee meeting. This reflected the agreed additional internal audit time resource to enable support Internal Audit time on the internal audit to complete its input to the ward staffing exercise; pay modernisation which would now be completed in 2006/2007 as

the NHS Lothian Pay Modernisation Benefits Realisation Plan (the basis for the Audit) had not been issued by 31 March 2005.

5.2.2 Mr Messer indicated that the HQ Audit of child protection would be commencing in April and would report as part of the 2006/07 programme. The current draft of the Records Management Policy would be reviewed against the Scottish guidance currently being produced following the release of English guidance. The draft would be progressed to allow submission to NHS QIS.

5.2.3 It was noted that the HQ and Pan-Lothian Plans were now complete, subject to the noted planned changes and reports at draft stage. Mr Messer indicated that a full listing of reports completed and ratings applied would be presented to the next meeting as part of the Internal Audit annual report.

IM

5.3 Lothian and Borders Management Audit Services, Agenda for Change Assimilation Model, Letter of 20 March 2006 – the Committee noted a previously circulated report on Agenda for Change Assimilation Model Validation and Mr Messer advised the Committee that the testing of the Agenda for Change Assimilation Model had been completed (using sample sizes agreed with management as being reasonable and practical) and Internal Audit had been able to provide satisfactory conclusions regarding the control environment over the workings of the Assimilation Model.

5.3.1 A number of recommendations had been made, however, for additional controls and these were reflected in the report. In all cases, management responses were appropriate and some of the recommended improvements had already been implemented.

5.4 Lothian and Borders Management Audit Services – NHS Lothian – Domiciliary Consultation Fees, Pan-Lothian 2005-11 (February 2006) – the Committee noted a previously circulated report on domiciliary consultation fees, and Mr Proudfoot advised the Committee that the review of a significant sample of domiciliary consultation claim forms, covering financial years 2003/04 and 2004/05 had identified two main areas of weakness relating to the requirement for a patient's GP normally to be present during the consultation, which did not normally happen. A number of weaknesses in the actual claim forms processed had also been identified, such as lack of appropriate authorisation and inadequate information detailed on the forms.

5.4.1 Mr Proudfoot advised that Dr Swainson and Dr Winter had indicated that whilst the Consultant undertaking a domiciliary consultation and the GP were in contact both before and after a patient consultation, there would be an adverse effect on overall health service provision if a GP was required to be present during each consultation, especially recognising the lost logistical requirements where a consultant might carry out several such consultations during the same day.

5.4.2 The Committee accepted this explanation and the Chair asked if the impracticality of requiring a GP to be present during each domiciliary consultation could be raised with the Scottish Executive.

DP

5.4.3 The Committee agreed to note the report.

5.5 Lothian and Borders Management Audit Services – Lothian NHS Board – Compliance with the Working Time Directive, Pan-Lothian 2005-10 (February 2006) – a previously circulated report on compliance with the Working Time Directive was noted.

5.5.1 Mr Messer advised the Committee that a "requires improvement" rating had been noted relating to a number of issues on apparent non-compliance with requirements, areas where changes to nurse bank systems would improve Working Time Director Directive monitoring and compliance, issues of risk and health assessments for night workers, improved monitoring of compliance and issues regarding unmeasured working time and risks associated with annual leave not taken.

5.5.2 The Committee agreed to refer this report to the Staff Governance Committee for its interest.

JMPR

5.6 Lothian and Borders Management Audit Services – Pan Lothian Summary – Key Reconciliations, Pan-Lothian 2006-14 (February 2006) – a previously circulated report on Key Reconciliations was received.

5.6.1 Mr Messer advised the Committee that the following a series of audits focussed on the completeness/adequacy of balance sheet reconciliation processes within each part of NHS Lothian, a significant improvement was noted in performance of reconciliations in the two locations (Primary Care Organisation and no significant issues had been noted from the review at Headquarters). and although ilssues regarding reconciliation timeliness and robustness were again noticed at the University Hospitals Division. Mr Messer commented that there was some overlap with the KPMG exercise as well.

5.6.2 The Chair commented that University Hospitals Division's fixed asset reconciliation was supported to have been reviewed on a monthly basis by December 2005 and questioned whether the reference to resource issues having prevented some controls from being applied as expected was a valid statement.

5.6.3 Mr Matheson informed the Committee that the Finance Department was in the process of being restructured in order to introduce single system working and this had impacted on a number of areas. Vacant posts were being held open in case redeployment was required in line with Human Resource policies and, whilst the exercise had taken longer than anticipated, the last vacancy was now being filled. He confirmed that he had asked the Associate Directors of Finance to ensure that due priority was given to critical financial accounting matters.

5.6.4 The Committee agreed to note the report.

5.7 Lothian and Borders management Audit Services – NHS Lothian – Non-Lothian Income Review, Pan-Lothian 2005-02 (January 2006) – the Committee received a previously circulated report on non-Lothian income review which has a requires improvement rating, and Mr Messer explained the key issues

identified. advised members that a number of different formats for recording non-Lothian income were utilised throughout the area.. In response to a question from Mr Renwick, Mr Messer undertook to check the level of debt currently sitting with the Primary Care Organisation and inform Mr Renwick.

IM

- 5.7.1 Mr Matheson emphasised the need to ensure that non-Lothian patients were coded appropriately both in terms of identification and complexity of care. He advised that there were a number of other costs associated with services and it might be that other Health Boards making use of these services should pick up a share of these costs.
- 5.7.2 The Committee noted that the introduction of the price tariff would bring about changes to the system and would mean that all such non-Lothian cases would have to be coded appropriately. Mr Matheson indicated that NHS Lothian referred out around £7 million worth of services and it was hoped to turn the national tariff into an opportunity rather than a risk.
- 5.7.3 The Committee noted the report.
- 5.8 Lothian and Borders Management Audit Services – NHS Lothian – Agency Nursing Financial Control – a previously circulated report on the Utilisation of Agency Nurses – Authorisation and Monitoring Procedures was noted.
- 5.8.1 Mr Messer advised the Committee that whilst controls in this area had been greatly improved in recent years, there remained room for further improvement. The review had confirmed that best practice guidance had been put in place across NHS Lothian and that much had been done to ensure that this was adhered to.
- 5.8.2 Ms Tierney-Moore informed the Committee that it was hoped to be able to move to an embargo on the use of agency staff in due course and she emphasised the importance of controls as being one of the main means of reducing expenditure on agency nursing.
- 5.8.3 Ms Tierney-Moore advised the Committee that the issue of complex care was being taken on by the nurse bank, which necessitated the more detailed examination of the appropriate controls and consultation with local authority partners.. A longer timescale as indicated in the report would be required before if the nursing bank would be able to take on this responsibility. was going to take this on. However it was felt that once implemented, this would allow better control to be applied.
- 5.8.4 Regarding the implementation timescale for Point 5 of the report, the Chair enquired whether the required action could be completed before October 2006. Ms Tierney Moore agreed to review this as she recognised that the deadline for implementation for this recommendation should be nearer June/July 2006. and it was agreed that The Committee agreed the timescale on the variation of contract and determined that the issue should be reviewed report should be brought forward to the meeting on 26 June.

- 5.8.5 It was noted that Ms Campbell was establishing a group to monitor how practice changed as a result of these procedures.
- 5.8.6 The Chair thanked Ms Tierney-Moore for her assistance.
- 5.9 Lothian and Borders Management Audit Services – NHS Lothian – Single System Previous Recommendations, NHS Lothian 2005-05 (February 2006) – the Committee received a previously circulated report on Single System Previous Recommendations.
- 5.9.1 It was noted that NHS Lothian now had a dedicated team whose duties included overseeing and reporting on the implementation of audit recommendations. Mr Matheson indicated that the risk arising from the non-implementation of these recommendations was now being completely managed and expressed his thanks to Mr Messer and Mr Payne.
- 5.9.2 The Committee agreed to note the report.
- 5.10 Strategic Audit Plan 2006-2009 – the previously circulated Strategic Audit Plan 2006-2009 was noted.
- 5.10.1 Mr Messer advised that this document outlined the three year Strategic Audit Plan for NHS Lothian, the purpose of which was to show how Internal Audit resources would be allocated over the coming three years to ensure that all risk areas received appropriate Internal Audit coverage.
- 5.10.2 Mr Messer indicated that this report had been considered by the Executive Management Team and some amendments had been incorporated. Discussions would also be held with the Director of Human Resources and a Healthcare Governance update, including CHPs and Audit Scotland reports had been added.
- 5.10.3 Mr Renwick suggested that while he was comfortable with the strategic audit plan showing jobs identified and a total level of resource to be utilised, that he would also like to see the detailed breakdown of the days allocated to each audit. rather than just using bullet points, each area in the attached table should indicate the number of days allocated. Mr Messer agreed to undertake to do this. pass this on to Mr Renwick.
- 5.10.4 In response to a question from the Chair concerning the programming of energy and savings, Mr Matheson advised that savings were an ongoing review as well and confirmed that the Chief Internal Auditor would also be looking at energy savings.
- 5.10.5 Mr Matheson indicated that management responses to the reports and internal audit information requests had been slowing and this was unacceptable. He was proposing to re-emphasise the need to turn responses to these reports around much more quickly. In future information on the timescale for audits including the time taken to receive management responses would be reported to and would report to the Committee along with an

IM

explanation of any apparent delays in future and advise them of any delays.

JMIM

5.10.6 The Committee agreed to note the report.

5.11 2005/06 Internal Audit Reports – ATOS Origin IT Services Provided to NHS Scotland – the Committee received a previously circulated report advising of the conclusions from the two Internal Audit reviews of NHS Scotland IT services delivered by ATOS Origin. In each case, Mr Messer confirmed that no issues had been raised in the reports which would impact on the NHS Lothian Statement on Internal Control.

5.11.1 Mr Messer introduced the report and explained that ATOS Origin provided a number of services to NHS Scotland which were fundamental to the activities including the development and processing of the Payroll system, Community Health Index and various clinical recall systems.

5.11.2 The Committee agreed to note the report and the assurance on the adequacy of the control environment in place regarding these services.

6. External Audit Reports

6.1 KPMG – Lothian NHS Board – Interim Management Report, Year Ended 31 March 2006 – the Committee received the previously circulated Interim Management Report for the year ended 31 March 2006 from KPMG, the External Auditors.

6.2 Mr Reid introduced the paper and outlined the scope and objectives. It was noted that the report contained one Grade 1 (significant) recommendation, nine Grade 2 (material) recommendations and two Grade 3 (minor) recommendations.

6.3 Mr Reid reported that the Auditors had commented on the large number of journal entries that continued to be processed, particularly within the Operating Division. They were of the opinion that the Board's computerised financial ledger and associated sub-ledgers and Payroll system should not require the current volume of manual adjustments. The level of manual journal entries posed an increased risk of fraud and error and subsequent mis-statement of the financial ledger.

6.4 Mr Matheson reminded the Committee that NHS Lothian was a £1 billion organisation and procedures were regularly reviewed. He suggested that there should be a financial threshold to enable financial propriety to be balanced against practicality, and Mr Reid concurred that this was a sensible suggestion.

6.5 The Chair asked about the number of journals involved and Ms Carmichael agreed to provide an analysis of the number of virement journals against the number of correcting journals. and Mr Messer also requested KPMG to provide benchmarking and give examples of best practice.

DC

SR

6.6 The Chair suggested that it would be helpful to get comparisons with other Health Boards.

6.7 Mr Smith advised the Committee that he would contact the Chief Operating Officer of the University Hospitals Division asking for figures to be reviewed monthly at the Division and for the Divisional Audit Sub-Committee to monitor this and private patient income, journals and key reconciliations. The Committee also agreed that this should be picked up with primary care and Headquarters and Mr Matheson advised that it would be a standing items on the Directors of Finance agenda.

JM

6.8 Mr Anderson suggested that it would be helpful to have an action plan to reduce the level of risk, and Mr Matheson confirmed that moves were being made towards a single NHS Lothian fixed asset register.

6.9 The Committee agreed to note the report and the Chair requested an update for the next meeting.

SR

Mr Reid left the meeting.

7. Follow-Up of Prior Year Audit Recommendations

7.1 The Committee reviewed a previously circulated paper providing an update on the progress of the follow-up of Pan-Lothian Audit recommendations providing an update on the recommendations followed up so far.

7.2 Mr Payne advised the Committee that operating procedures between the constituent parts of NHS Lothian required to be standardised. He indicated that no areas were being ignored, although it took time to work through the whole system.

7.3 Mr Matheson thanked Mr Payne and sought the Committee's advice on the level of detail in the report to the Audit Committee that was required.

7.4 The Committee agreed to note the findings from the follow-up work conducted to date and agreed the assessment given to recommendations with a status of 'implemented' or 'no further action' and approved that the recommendations be moved from the schedule.

7.5 The Committee further agreed that future reports should be on the basis of exception reporting with highlights by category and it was agreed that the detail of the best way in which reports should be made to the Committee could be discussed at the workshop.

AP

8. Interests in the Pharmaceutical Industry – A Code of Practice

- 8.1 The Committee noted a previously circulated paper, together with a proposed Code of Practice for members of the Area Drug and Therapeutics Committee, members of the Formulary Committee and individuals who proposed changes to the Lothian Joint Formulary.
- 8.2 Dr McCallum introduced the report and explained the background, emphasising that there was no room for conflicts of interest in working with the pharmaceutical industry, and the proposed Code of Practice would enable the individuals concerned to be assured in their actions.
- 8.3 Mr Payne advised that he had discussed the report with Dr Rutledge and confirmed that it was in line with the standards of business conduct, with the exception of a reference to the interests of partners.
- 8.4 Mr Anderson expressed his support for the proposed Code of Practice and questioned whether the pharmaceutical industry itself had a Code of Practice.
- 8.5 Dr McCallum confirmed that the pharmaceutical industry did have a detailed Code of Practice and the Chief Executive of NHS Lothian was the link to the Association of the British Pharmaceutical Industry.
- 8.6 Mr Anderson questioned the practice of drug companies providing substantial lunches, etc. for General Practitioners at events and Dr McCallum advised that all practices such as this were being replaced with educational grants made through third parties. Whilst GPs were independent contractors, they were still bound by the Code of Conduct.
- 8.7 The Committee agreed to approve the Code of Practice, subject to the inclusion of appropriate amendments in respect of partners. It was agreed that details of these amendments could be emailed to members for confirmation. **AKM**

9. National Reports/Guidance Material

- 9.1 Audit Scotland Technical Bulletin 2006/1 March 2006 – the Committee noted a previously circulated extract of the Audit Scotland Technical Bulletin 2006/1 in respect of health.
- 9.2 National Shared Support Services Project – Controls Assurance Programme – a previously circulated report on the National Shared Support Services Project "Systems Control Assurance" was noted for information.
- 9.3 Audit Scotland – Implementing the NHS Consultant Contract in Scotland – a previously circulated report by Audit Scotland on Implementing the NHS Consultant Contract in Scotland was noted.
- 9.3.1 Mr Matheson advised the Committee that the costs of the implementation of the NHS consultant contract in NHS Lothian amounted to £13 million as part of an overall exposure of £61 million in respect of pay modernisation. He emphasised that the implementation of Improving Care: Investing in Change was the opportunity to see how the consultant contract and pay modernisation

could deliver service redesign. NHS Lothian had set higher productivity targets for consultants than the national base and results would be closely monitored.

10. Best Value Workshop

- 10.1 It was agreed that a Best Value Workshop should be held on Monday 24 July 2006, the date previously held for the Audit Committee.

AP

11. Date of Next Meeting

11. It was noted that the next meeting of the Committee would be held on Monday, 26 June 2006 at 9.00am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 26 June 2006 at 9.00am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair); Mr R Y Anderson; Mr S G Renwick and Cllr I Whyte.

In Attendance: Ms D Carmichael (Associate Director of Finance); Mr B Cavanagh (Board Chair); Mr E Egan (Chair, Staff Governance Committee); Ms B Livingston (Financial Controller); Ms F McKenzie (Audit Manager); Mr B Martin (Head of Corporate Reporting and Corporate Governance); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr A Payne (Corporate Governance and EFI Manager); Mr D Proudfoot (Deputy Chief Internal Auditor); Mr S Reid (External Auditor, KPMG); Mr P Reith (Secretariat Manager) and Mr S H Smith (Chair, Healthcare Governance and Risk Management Committee).

The Committee noted the passing of Mr Bill Bennett and the Chair commented that he would be sadly missed on the Committee.

12. Minutes of the Previous Meeting

12.1 The previously circulated Minutes and action note of the meeting of the NHS Lothian Audit Committee held on 24 April 2006 were approved.

13. Matters Arising

13.1 The Committee noted a previously circulated paper detailing the Matters Arising from the Audit Committee meeting held on 24 April 2006, together with the action taken and the outcome.

13.2 Fleet and Transport Training Requirements (Minutes 2.1.2) – Mr Egan advised the Committee that he had met with management and a single way of recording qualifications had now been captured on the relevant job descriptions for Agenda for Change.

13.3 Follow-Up of Recommendations Arising from KPMG's 2005/06 Interim Management Report – a previously circulated report giving the update requested at the meeting of 24 April 2006 on the recommendations arising from KPMG's 2005/06 Interim Management Report was received.

13.3.1 Mr Payne commented that although three of the recommendations had been implemented, and a further recommendation partially implemented, only one

had the follow-up due as the remaining seven recommendations were not yet due.

13.3.2 The Committee noted the results of this early progress update.

13.4 Clinical Governance Committee Annual Report to Lothian NHS Board – the previously circulated annual report from the Clinical Governance Committee to Lothian NHS Board for 2005/06 was received.

13.4.1 Mr Smith advised the Committee that this report had been received by Lothian NHS Board. Mr Smith indicated that he had one area of concern and this was that there had been only one Clinical Governance meeting at the Primary Care Organisation since the establishment of the CHPs.

13.4.2 Mr Smith emphasised that it was essential that CHPs became involved with Healthcare Governance Risk Management arrangements, as these were not being properly implemented at the moment. This matter was being discussed by the Primary Care Organisation Board and he wished to draw the Committee's attention to this potential risk to NHS Lothian.

13.4.3 Mr Egan expressed his concern that issues such as the MRSA outbreak were not repeated, particularly as clinical protection posts were not yet in place. He was particularly concerned about the adequate resourcing of risk management and clinical governance, particularly in respect of child protection in Lothian.

13.4.4 The Committee noted that Mr Smith, Mr Egan and Dr Swainson had agreed to meet to discuss these issues, particularly those around the CHPs and CHCP. **SHS/EE/CPS**

13.4.5 It was agreed that Mr Smith and Dr Swainson should be asked to bring a report to the next meeting of the Audit Committee. **SHS/CPS**

13.5 Journal Entries - the previously circulated report giving a further analysis of the Journals processes at the University Hospitals Division was received.

13.5.1 Ms Carmichael spoke to the report and explained that at the University Hospitals Division alone there were a significant number of Journal header entries, some of which might have many journals within them.

13.5.2 The Chair commented that the Audit Committee was seeking details of the risk exposure through the proliferation of Journals and it was agreed that a more detailed report, containing fuller explanations of the reason for the proliferation of Journals and an analysis of the risk that these posed could be received. **DC**

14. Annual Accounts

- 14.1 Accounting Policies – a previously circulated report outlining the accounting policies adopted was received.
- 14.1.1 Mr Martin introduced the paper and explained that discussions had been concluded with the External Auditors on life cycle costs and that they supported the position shown in the Accounts.
- 14.1.2 Mr Egan questioned whether the valuation would deal with asset values such as the valuation placed on the Western General site.
- 14.1.3 Mr Matheson confirmed that this would contain valuations but they would be based on actual use and not potential value for housing following his discussions with the Scottish Executive.
- 14.1.4 Mr Martin confirmed that the policies were consistent with decisions taken the previous year and there was no requirement for them to be changed.
- 14.1.5 The Committee agreed to confirm that the accounting policies remained appropriate for Lothian NHS Board at the present time for the purpose of giving a true and fair view, and confirmed that it was recommending to Lothian NHS Board that the accounting policies be adopted for the Board.
- 14.2 Payment Verification in Primary Care Financial Year 2005/06 – the previously circulated report providing the Committee with assurance that appropriate control measures were in place for payments made to Family Health Services Practitioners (General Medical Practitioners, General Dental Practitioners, Community Pharmacists and Optometrists) was received.
- 14.2.1 Ms Hollis introduced the paper and indicated that the Primary Care Organisation was now happy with the patient allocation arrangements and the write-off of a small amount of money had now been resolved.
- 14.2.2 Mr Anderson advised the Committee that he had only one concern and that was in respect of a dental case referred some time previously to the Procurator Fiscal. Mr Messer was able to confirm that the particular case had been with the Procurator Fiscal's office for some time, but that the Fiscal was now starting to move on this.
- 14.2.3 In response to a question from Cllr Whyte, Ms Hollis confirmed that the level of write-offs was about the same as in the previous year, but she would confirm this at the next meeting.
- 14.2.4 The Committee agreed to accept the report confirming that the payments made to Family Health Service Practitioners were appropriate, with assurance having been gained from the process of payment verification undertaken in conjunction with Practitioner Services, NHS National Services Scotland and also the QOF/QMAS pre-payment verification check for 2005/06 which had been submitted to Internal Audit review.
- 14.3 Patient Exemption Checking 2005: Analysis of Fraud/Error and Potential Fraud/Error – the previously circulated paper giving an update on a paper

LH

submitted to the Primary Care Organisation Audit Sub-Committee on Patient Exemption Checking 2005 was received.

- 14.3.1 Ms Hollis indicated that some concern had been expressed over the small size of sample used by Counter Fraud Services and indicated that NHS Lothian was working with Counter Fraud Services to hold seminars with contractors to assist them in identifying potential frauds.
- 14.3.2 Mr Egan questioned whether the estimated levels of fraud were realistic in the light of the relatively small sample and Ms Hollis suggested that the current system probably over-estimated the level of fraud and error and emphasised that NHS Lothian needed to continue working with Counter Fraud Services on this.
- 14.3.3 Mr Matheson suggested that the sample size required to be statistically valid and undertook to have this matter raised with Counter Fraud Services. **LH**
- 14.3.4 Mr Cavanagh expressed some concern that there appeared to be some question over the reliability of guestimates.
- 14.3.5 Mr Messer reassured the Committee that Fraud Services statisticians had confirmed that the methodology and sample size were robust and Mr Watt advised the Committee that Audit Scotland monitored the process and was satisfied that the figures were robust. The data was considered to be valid for use.
- 14.3.6 It was agreed that Mr Matheson would follow-up the statistical methodology with both Audit Scotland and Counter Fraud Services.
- 14.4 Primary Medical Services – Pre-Payment Verification Process re Quality and Outcomes Framework 2005/06 – The Committee noted the previously circulated report advising of the position with regard to the quality and outcome framework element of the new General Medical Services contract, on a pan-Lothian basis, copies of which had been circulated.
- 14.4.1 Ms Hollis introduced the paper and explained that a number of practices had been investigated and a considerable amount of time was spent reviewing submissions.
- 14.4.2 Mr Egan welcomed the paper and questioned the evidence for the delivery of the 48-hour access. He also made reference to reception staff being used to carry out vaccinations instead of the medical and nursing staff who were being paid by NHS Lothian to provide this service.
- 14.4.3 Ms Hollis confirmed that access to services was monitored and a review would be undertaken of how best to monitor such access. A survey was being undertaken on how much NHS staff time was being spent on monitoring the General Medical Services contract and she undertook to bring back a report with figures for the next meeting of the Audit Committee. **LH**

14.4.4 Mr Matheson endorsed Mr Egan's concerns over the realisation of benefits from the implementation of the General Medical Services contract and advised the Committee that he had asked Dr M Winter to provide clarification on the use of NHS Lothian staff and he undertook to bring a report back to the Committee on this.

JM

14.4.5 Mr Anderson indicated that the Primary and Community Partnership Committee would be looking at 48-hour access the following day and suggested that this might be referred on to the Audit Committee.

14.4.6 The Committee agreed to receive the report.

14.5 Statement of Internal Control – a previously circulated report, together with a statement of Directors' responsibility in respect of internal control was received by the Committee.

14.5.1 Mr Martin introduced the paper and explained that he could confirm that appropriate risk management arrangements were in place.

14.5.2 Mr Egan questioned the reference to the Working Time Directive and he indicated that the implementation of this Directive was not effectively monitored, particularly with respect of junior doctors. Although NHS Lothian had a legal requirement to implement the Working Time Directive, insufficient information was currently captured to be able to demonstrate this.

14.5.3 Mr Martin indicated that this was a problem across Scotland and had not yet been resolved.

14.5.4 Mr Renwick commented that the references in the report should be to both litigation and management and it should be clear that the detailed discussion and consideration of relevant matters in the Finance and Performance Review Committee was fully enabled.

14.5.5 Mr Anderson commented on the references to the HR system and questioned why other IT systems were not included.

14.5.6 Mr Martin undertook to include references to the current IT systems outstanding and correct references to the City of Edinburgh Council.

BM

14.5.7 Subject to these amendments, the Committee agreed to recommend to the Board that the Statement of Internal Control be signed by the Chief Executive on its behalf.

14.6 Representation Letter – a previously circulated paper, together with a draft Representation Letter to the External Auditors was received.

14.6.1 Mr Martin introduced the report and Mr Egan questioned why only Agenda for Change was referred to in the third paragraph of the letter and Mr Martin confirmed that Agenda for Change was one of the issues on which there were delays and a possible large liability.

- 14.6.2 Mr Martin indicated that whilst NHS Lothian had to recognised that it was not absolutely compliant with the legislation, there was no significant effect on its ability to conduct business. Agenda for Change was one area that was a potential delayer and had a possible large contingent liability.
- 14.6.3 Mr Egan expressed his concern that people paid for work of equal value could be an even bigger liability and suggested that the information available on Agenda for Change was far more robust than had been for either the Consultant Contract or the General Medical Services' contract.
- 14.6.4 Mr Cavanagh commented that Agenda for Change and all related pay matters, including equal pay for work of equal value, required to be identified. The main question then was whether the risk management framework was sufficiently robust.
- 14.6.5 Mr Matheson assured the Committee that there was an appropriate form of words in the Annual Accounts in respect of equal pay for equal value.
- 14.6.6 In response to a question from Mr Smith, Mr Matheson confirmed that the possible liabilities on the PFI contract had been acknowledged in the Accounts and the sum equivalent to arbitration value and already been accrued without prejudice to ongoing discussions so adequate allowances had been made.
- 14.6.7 The Committee agreed that subject to the amendments agreed, the Statement properly represented confirmation to the External Auditors on matters arising during the course of their audit of the Accounts for the year ended 31 March 2006, and agreed to recommend to the Board that the letter, as amended, be adopted for the Board's Chief Executive to sign on its behalf.

Mr Cavanagh left the meeting.

- 14.7 KPMG – Lothian NHS Board – Annual Audit Report, Year Ending 31 March 2006 – the Committee noted a previously circulated letter from the External Auditors, KPMG, together with the Annual Audit Report for 2005/06 to members of Lothian NHS Board and the Auditor General for Scotland.
- 14.7.1 Mr Watt reminded the Committee that this report was still in draft format and advised the Committee that there were a number of positive achievements, particularly in terms of progress in implementing revised structures. Risk management arrangements had been identified and the change in the deadline for the production of annual accounts from 31 July to 30 June had been a significant challenge. Mr Watt confirmed that the life cycle maintenance figures being capitalised had now been accepted and the report would be amended accordingly before it was submitted in its final form to Lothian NHS Board at its July meeting.
- 14.7.2 Mr Watt commented that although the amount had been reduced, Lothian was still dependent on non-recurrent funding of £25.6 million, which was still a significant sum. A considerable amount of work had been carried out on

CRES and other targets and the achievement of a £31 million saving in the financial year would be an extremely demanding one.

- 14.7.3 NHS Lothian had made significant progress in a number of areas and Lothian's position had not fallen short anywhere. Mr Watt recorded his appreciation of the assistance that KPMG had received in undertaking their work.
- 14.7.4 Mr Matheson confirmed that 2005/06 had been a very challenging year as he had already reported to the Board during the year. He indicated he continued to investigate opportunities to maximise benefits to NHS Lothian such as capitalisation. He indicated that the Scottish Executive had provided revenue support at £5.7m in respect of recognising the view of External Auditors on calibrated devices and payment to the University of Edinburgh being a revenue rather than a capital charge. The Scottish Executive had indicated that the repayment from the capital resource limit underspend would be reviewed in 2 years time with a capital repayment in 2011/12 being a backstop position. Mr Matheson indicated that he would continue to pursue the calibration issue through the national Technical Accounting Group.
- 14.7.5 Mr Matheson indicated that there had been a difficult mid-year review, with a number of difficult unexpected pressures arising augmented by fuel and prescribing pressures in the last quarter and that it had been very tight. Achieving a break-even position had been challenging and a very positive outcome, and he expressed his thanks and appreciation to Mr Watt and Mr Reid for their assistance.
- 14.7.6 Mr Smith indicated that he continued to have concerns over the CRES savings of £31.1 million as just over half of these had been identified in the current financial year.
- 14.7.7 Mr Egan welcomed the positive references to partnership working and confirmed his concern at the delays in identifying CRES savings.
- 14.7.8 Mr Matheson confirmed that the delivery of the Pan-Lothian Review Group recommendations, recurrent CRES and Pay Modernisation benefits were essential and Ms Hollis advised that the Primary Care Organisation and the CHPs were aware of the problem and were regularly monitoring the achievement of targets.
- 14.7.9 Mr Matheson cited an article in the British Medical Journal identifying significant savings possible through the use of one particular statin over another and commented that if this was properly followed up, savings of in excess of £2 million could be achieved for NHS Lothian.
- 14.7.10 Mr Smith questioned what outstanding recommendations remained in respect of business continuity and Mr Watt undertook to discuss this further with Mr Smith outwith the meeting. **DW/SHS**
- 14.7.11 In response to a question from the Chair, Ms Carmichael confirmed that the SFR30 process had raised a number of issues and letters in respect of

Service Level Agreements had gone out to other Boards. It was hoped to have signed Service Level Agreements back by the end of July.

14.7.12 The Committee noted that delayed payment of invoices, which in one case had taken a year to get from the University Hospitals Division to Finance were now being processed electronically. Mr Matheson commented that the issue of why someone would hold on to an invoice for a year was being followed up.

14.7.13 Mr Watt indicated that some minor revisions remained to be included in the final version of the report.

14.7.14 The Committee noted that in respect of car parking at the Royal Infirmary of Edinburgh, NHS Lothian received 50% of the profit but the cost of the rates paid by NHS Lothian on the car park exceeded NHS Lothian's share of the profits.

14.7.15 Mr Egan commented that the section on car parking should reflect the overall loss rather than a profit and it was agreed that Mr Martin and Mr Watt should agree suitable wording.

BM/DW

14.7.16 Mr Egan expressed concern at the lack of partnership involvement with the South East and Tayside Group and particularly on how its policies should interact with NHS Lothian. He referred to a recent catering tender, which had almost been submitted without an in-house bid. It was agreed that a reference should be made to partnership engagement requirements for SEAT and this should be picked up with the Chief Executive and Director of Strategic Planning and Modernisation. Mr Matheson confirmed that some discussions were ongoing with SEAT on partnership working and he undertook to pick this up with Mr Egan.

JM

14.7.17 The Committee noted some concerns about the different management information systems in operation in West Lothian and other parts of NHS Lothian and Mr Reid undertook to revisit the previous recommendations and pick up any concerns.

SR

14.7.18 The Committee agreed to note the draft Annual Audit report for 2005/06 from KPMG.

14.8 Draft Statement of Uncorrected Audit Differences – a previously circulated Statement of Adjusted Differences for the year ended 31 March 2006 was received.

14.8.1 Mr Watt emphasised that these reflected differences in interpretation of accounting practice, which were perfectly normal, and did not necessitate any note on the Annual Accounts.

14.8.2 The Committee agreed to note the report.

14.9 Annual Accounts for the Year Ended 31 March 2006 – the previously circulated Annual Accounts for the year ended 31 March 2006 were received.

- 14.9.1 Mr Matheson introduced the Annual Accounts and explained that these had been particularly late this year because Audit Scotland had brought the date for their preparation forward by one month. He thanked staff for their work in finalising the Accounts and based on the groundwork laid in the previous reports commended them to the Committee.
- 14.9.2 Mr Matheson again re-emphasised the tightness of the financial out-turn as highlighted by the risk matrix presented to the Finance and Performance Review Committee during 2005/06 and at the June 2006 meeting in respect of 2006/07.
- 14.9.3 Mr Payne advised that the Audit Committee had met on six occasions in 2005/06. Cllr Whyte advised he was a lay member of the Board and not a stakeholder member representing the City of Edinburgh Council.
- 14.9.4 It was noted that a number of minor corrections to salaries quoted also required to be made before the final report was submitted to Lothian NHS Board on 27 June 2006.
- 14.9.5 Mr Watt confirmed that there was nothing in the KPMG report that would prevent the Board approving the Annual Accounts and the Committee agreed to recommend to Lothian NHS Board that it approve and adopt the Annual Accounts for the year ended 31 March 2006.
- 14.10 Annual Reports and Draft Annual Assurance Statements
- 14.10.1 2005/06 Annual Audit Report of PCO Audit Sub-Committee – Mr Anderson introduced a previously circulated Annual Report of the Primary Care Organisation Audit Sub-Committee and commented that it was hoped to spread the volume of work more evenly in the forthcoming year. The Committee agreed to adopt the Annual Report of the Primary Care Organisation Audit Sub-Committee.
- 14.10.2 2005/06 Annual Audit Report of UHD Audit Sub-Committee – the Committee agreed to adopt the previously circulated 2005/06 Annual Audit report of the University Hospitals Division Audit Sub-Committee.
- 14.10.3 Consideration of Resources – the previously circulated report concerning the resources made available to the Committee was received. Mr Matheson commented that best practice required a private session meeting between members of the Audit Committee and the External Auditors following by a meeting with the Internal Auditors. It was agreed that this meeting should be held at the conclusion of the Audit Committee.
- 14.10.3.1 The Committee agreed that the resources made available to it through audit days and supplementary support had been adequate for the Committee to discharge its functions.

14.10.4 NHS Lothian Audit Committee Annual Report 2005/06 – the Committee agreed the previously circulated Annual Audit Report from the Chair of the NHS Lothian Audit Committee for 2005/06.

15. Audit Sub-Committee Minutes

15.1 University Hospitals Division Audit Sub-Committee – Mr Renwick introduced the previously circulated Minutes of the meeting of the University Hospitals Division Audit Sub-Committee held on 1 June 2006.

15.1.1 Mr Renwick recorded his Sub-Committee's frustrations at finding audit recommendations not being implemented and Ms Carmichael advised the Committee that she was putting controls in place that would address this.

15.1.2 The Committee agreed to adopt the Minutes.

15.2. Primary Care Audit Sub-Committee – the previously circulated Minutes of the meeting of the Primary Care Audit Sub-Committee held on 29 May and 7 June 2006 were received.

15.2.1 Mr Anderson commented that this meeting had been continued on to a separate because of the number of lengthy issues for discussion. These included issues such as Research Governance which required to be handed over properly in the management changes from the Primary Care Organisation to the CHPs. Also included were Infection Control, quality issues in respect of Strathbrock Health Centre and these were being addressed.

15.2.2 The Committee agreed to adopt the Minutes.

16. Internal Audit Reports

16.1 Lothian and Borders Management Audit Services, Payroll Follow-Up, Pan Lothian 2005-13 (April 2006) – Ms McKenzie introduced the previously circulated report and advised the Committee that significant progress had been made in implementing the majority of recommendations resulting from the 2005 KPMG Payroll Audit. Although only three actions had been fully implemented, a further seventeen were in progress or had been partially implemented and two recommendations had not been progressed. This had resulted in a partial progress rating to this follow-up review.

16.1.2 The Committee noted that no progress had been made in respect of two recommendations concerning evidence in the review of daily change reports which were not retained due to storage issues, and performing reconciliation between HR and Payroll systems, which would not be introduced until a single HR system was in place.

16.1.3 The Chair commented that these responses were not acceptable and a further report dealing with these two responses was requested by the Committee.

16.2 Lothian and Borders Management Audit Services – NHS Lothian – Management Audit Annual Report 2005/2006 – Mr Messer introduced the previously circulated Management Audit Annual Report for 2005/2006.

16.2.1 The Committee noted that this report provided assurance that Internal Audit coverage had been as expected during 2005/2006; provided a summary of conclusions and key findings arising during 2005/2006 and provided a linkage between Internal Audit findings and the statement on internal control and the Audit Committee's annual statement or assurance to the Board.

16.2.2 Mr Messer commented that there had been a significant increase in the number of "requires improvement" rating, which probably reflected the significant organisational change being undertaken throughout the organisation and the introduction of single system working.

16.2.3 Mr Matheson commented that the report was helpful and emphasised that the audit plan in the preceding year had been more heavily focused on the risk matrix. It had been driven by higher risk areas and he would be ensuring that the recommendations were followed up over the agreed timescale.

16.2.4 The Committee agreed to accept the Management Audit Annual Report for 2005/2006.

17. External Audit Report

17.1 KPMG – Lothian NHS Board – Overall Arrangements 2005-06: Priorities and Risks Framework, Year Ending 31 March 2006 – the Committee noted the previously circulated Priorities and Risks Framework report from KPMG.

17.1.1 Mr Reid introduced the report and commented that the progress towards single system working had been lengthy and drew out the reliance of NHS Lothian on non-recurring funding and the extremely demanding CRES targets.

17.1.2 The Committee noted that parts of this report were summarising into the Annual Audit Report and Mr Reid emphasised the need for NHS Lothian to address business continuity arrangements development and the key role of the Finance and Performance Review Committee in managing the financial and non-financial performance. There were a number of areas in CHP governance arrangements on which progress required to be made and specific recommendations in respect of regional planning were included in the recommendations to deal with areas for improvement.

17.1.3 Mr Egan commented that he would have liked to have seen more positive references to partnership working and Mr Anderson commented that the

SEAT stakeholder workshop held in November 2005 was the only time he could recall there being any lay member involvement in SEAT.

- 17.1.4 Mr Matheson confirmed that there had been a previous stakeholder event and that Non Executive Directors had been involved in a workshop to draft the Governance Standard.
- 17.1.5 The Committee agreed to accept the Overall Arrangements 2005-06: Priorities and Risks Framework Report.

18. Follow-Up of Prior Year Audit Recommendations

- 18.1 Follow-Up of Prior Year Audit Recommendations – Pan-Lothian Schedule – Mr Payne introduced the previously circulated update on the follow-up results for the Pan-Lothian Audit recommendations to date.
 - 18.1.1 Mr Egan expressed his continuing concern at the number of recommendations not being implemented and Mr Matheson agreed that in future these recommendations would be put to the Executive Management Team.
- 18.2 Follow-Up of Prior Year Audit Recommendations – the Committee noted the previously circulated report on the implementation status of all Audit recommendations raised throughout 2003/04 and 2004/05 as a result of the follow-up work conducted to date.
 - 18.2.1 The Committee noted the report and Mr Egan reiterated his concerns at the non-implementation of a number of important recommendations.

19. Patients' Fund – Annual Accounts 2004/05

- 19.1 The Committee noted the previously circulated Patients' Fund accounts for the year ending 31 March 2005 for NHS Lothian.
- 19.2 Ms Hollis confirmed that the Auditors had given the Accounts an Unqualified Opinion and the Committee agreed to recommend to Lothian NHS Board that these Patient Fund accounts for the year ending 31 March 2005 be adopted.
- 19.3 It was noted that the 2005/06 Accounts had been prepared and were now ready for audit.

20. Date of Next Meeting

- 20.1 It was noted that the next meeting of the Committee would be held on Monday, 28 August 2006 at 9.00am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh. A "Best Value Workshop" would be held on Wednesday, 24 July 2006.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 28 August 2006 in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

Present: Mr S G Renwick (In the Chair); Mr R Y Anderson and Ms T Douglas.

In Attendance: Ms L Bradley (External Auditor, Audit Scotland); Ms D Carmichael (Associate Director of Finance); Mr D Kelly (Director, West Lothian Community Health and Care Partnership)(For Item 24.3); Ms L Hollis (Associate Director of Finance); Mr D McConnell (External Auditor, Audit Scotland); Mr C Marriott (Associate Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr A Payne (Corporate Governance and VFM Manager); Mr D Proudfoot (Deputy Chief Internal Auditor); Mr P Reith (Secretariat Manager); Ms H Russell (External Auditor, Audit Scotland) and Dr C P Swainson (Medical Director)(for item 29.1).

Apologies for absence were received from Missr L Jamie, Mr E Egan, Mr S Smith and Cllr I Whyte.

21. Minutes of the Previous Meetings

21.1 Minutes of the Previous Meeting held on 26 June 2006 – the previously circulated Minutes and action note of the meeting of the NHS Lothian Audit Committee, held on 26 June 2006, were approved.

21.2 Notes from the Audit Committee's Best Value Workshop held on 24 July 2006 – the previously circulated Note of the Audit Committee's Best Value Workshop, held on 24 July 2006, was received.

22. Matters Arising

22.1 The Committee noted a previously circulated paper detailing the Matters Arising from the Audit Committee meeting on 26 June 2006, together with the action taken and the outcome.

22.1.1 It was noted that all Matters Arising from the Audit Committee meeting held on 26 June 2006 had either been actioned or were in progress. In respect of the Lothian and Borders Management Audit Service Payroll Follow-Up, it was noted that reconciliations could only occur once the new HR and Payroll systems were in place and had been checked.

22.2 CHPs/PCO Healthcare Governance and Risk Management Sub-Committee – the previously circulated Minutes of the CHPs/PCO Healthcare Governance

and Risk Management Sub-Committee held on 12 July 2006 were received in response to a specific matter arising.

22.3 Update on Outstanding Payroll Audit Recommendation – a previously circulated report, giving an update on the Outstanding Payroll Audit Recommendation was received. The Committee noted that the daily transaction logs were initialled and dated by the Divisional Payroll Manager, once they had completed their review. The source documents were also initialled by the Divisional Manager as part of this process.

22.3.1 Due to limitations of space, only three month of transaction logs were retained in Stevenson House. ATOS Origin, as part of the Payroll process, now electronically archived all Payroll reports and logs and retained them for a maximum of six years, along with other Payroll output. With the exception of the transaction logs, Payroll retained all paper copies of reports for two years, e.g. the current year plus one.

22.3.2 Mr Renwick confirmed that it was necessary to keep such records for six years and requested confirmation that records were not being disposed off earlier than this. (I'm not sure who agreed to confirm this. **AP)**

22.3.2 The Committee noted the report.

23. Audit Sub-Committee Minutes

23.1 University Hospitals Audit Sub-Committee – the previously circulated Minutes of the University Hospitals Division Audit Sub-Committee held on 10 August 2006 were received.

23.1.1 Mr Renwick spoke to the Minutes and advised the Committee that credit controls at the Division were showing tangible progress, as was control of infection.

23.1.2 The Committee agreed to note the report.

24. Internal Audit Reports

24.1 Lothian and Borders Management Audit Services – Lothian NHS Board Pan-Lothian Audit Update (2006/07) – a previously circulated Pan-Lothian Audit Update on Pan-Lothian Single System Audits for 2006/07 was received., noting the forward schedule for internal audit projects in the rest of the financial year.

24.1.1 Mr Messer advised the Committee that management was examining further information and a significant amount of proactive work had been done with Counter Fraud Services, advised the committee that no nationally agreed topic for a pro-active review topic had been identified. Mr Messer advised that he was involved in the national discussions taking place to determine such

topics. although no agreement had yet been reached on an agreed national topic.

24.1.2 Mr Renwick questioned the position in respect of the Consultants' Leave Review and discretionary points, and Mr Messer advised the meeting that the Consultants' Leave Review was in the current plan and discussions were underway on discretionary points. Human Resources had indicated that Consultants' Leave had been updated but the systems in place were still new.. Further discussion was also required with Human Resources before this audit could proceed.

24.1.3 Ms Bradley advised the meeting that Audit Scotland would give a short presentation to the next meeting and it was agreed that this should be included on the agenda.

PR

24.2 Credit Control Procedures Follow-Up Audit Ref: 2006-48 – August 2006 – a previously circulated follow-up report on credit control procedures was received. Mr Messer advised the Committee that NHS Lothian's credit control processes had significantly improved since the review of the Lothian University Hospitals Division's processes completed in February 2006. The system was now pan-Lothian and 13 of the 14 recommendations made in the previous report had been fully implemented, with the remaining one in progress. , with a clear date for completion. Aged debt as a percentage of total debt had improved from 56% in September 2005 to 25% in July 2006, although aged and total debt figures were significantly higher, primarily due to Scottish Health Boards now being invoiced for the full year at the beginning of the financial year.

24.2.1 Ms Carmichael confirmed that the numbers were coming down, although it would take a few months to see real benefits.

24.2.2 Mr Marriott indicated that the Endowments Department was being brought back into NHS Lothian as part of single system working and Mr Matheson advised that the linkage between Endowments and the rest of the system would be tightened up. He indicated that he would pick this up with Ms Carmichael and Mr Marriott.

JM

24.3 West Lothian Council Internal Audit Unit / LBMAS: Audit of West Lothian Community Health and Care Partnership (19 May 2006) – the Chairman welcomed Mr D Kelly to the meeting.

24.3.1 A previously circulated report, prepared jointly with staff from West Lothian Council Internal Audit Unit and Lothian and Borders Management Audit Services on the West Lothian Community Health and Care Partnership was received.

24.3.2 Mr Messer introduced the report and explained that it had been prepared jointly by Internal Audit and West Lothian Council's Internal Audit department.

24.3.3 Mr Kelly welcomed the joint audit and indicated that there were a number of issues he wished to draw to the Committee's attention. In looking at how the

system worked, the issue of the CHCP reporting directly to the Board had come up. The Partnership Agreement itself had not yet been signed and as this was well into the second year of a two-year pilot project, it was likely that the formal Partnership Agreement would not be signed before the conclusion of the pilot, although he continued to work with the Human Resources Director on the development of an honorary contract between NHS Lothian and himself, which could address the issue. Some of the issues raised in the audit were national ones and were, therefore, out of the hands of both NHS Lothian and West Lothian Council.

24.3.4 Mr Anderson commented that it was helpful to have had this report, which had confirmed that the system was working on the ground.

24.3.5 Mr Matheson commented that the report had been useful and he would like to see further such joint reports following on from East Lothian and City of Edinburgh Council examples.

24.3.6 Mr Proudfoot advised that the Central Legal Office had raised the issue of compliance with the provisions of the National Health Service (Scotland) Act and Mr Matheson indicated that he would be picking this up with Mr Kelly the option of an honorary contract was being pursued with the Director of Human Resources. It was agreed that Mr Matheson/Kelly should ensure that any exposure to litigation was avoided (Do we need the second sentence). **JMDK**

24.3.7 Mr Messer indicated that Internal Audit had not been able to quantify the level of risk but confirmed that there were appropriate risk management procedures in place. It was agreed that Mr Matheson should ensure that any exposure to litigation was avoided. While it was difficult to be precise about the level of risk arising from the unsigned partnership agreement, that it was a potentially important issue. Mr Messer noted that the issue had now been aired at the right level and noted that management's assurance that appropriate risk management procedures were in place or were being developed. **JM**

24.3.8 The Chair thanked Mr Kelly for his contribution and Mr Kelly left the meeting.

25. Corporate Accounting

25.1 Annual Accounts (Revision 2005-06) – the Committee received a previously circulated report advising of revisions made to the annual accounts for 2005-06.

25.1.1 Mr Martin explained that although the final accounts had been signed by the Board and submitted by 30 June 2006, the Board had been contacted by the Scottish Executive Health Department Finance Directorate during the week commencing 10 July 2006 on the issue of the total cash draw down reported. It had emerged that a total of £17.7 million of adjustments to creditors and general funds had been made at Scottish Executive level for NHS Lothian to align the records for cash draw down which required adjustment at Board level. This covered both current (£12.2 million) and (£5.5 million) prior years.

A further £12.8 million relating to 2005-06 in respect of the allocation of FHS non-cash limited payments had earlier arisen as a reclassification audit issue between creditors and general fund. Adjustments reflecting the correction of fixed asset revaluation adjustments to the revaluation and donation reserves totalling £17 million had also been reflected.

- 25.1.2 Mr Martin indicated that regular meetings were now being held with Primary Care Finance staff to try and ensure that the figures reported were accurate and the reporting of cash balances was being reviewed monthly.
- 25.1.3 Mr Matheson commented that this had not been a problem unique which had been experienced elsewhere in Scotland and had been missed to NHS Lothian but one that should have been picked up by the External Auditors.
- 25.1.4 The Committee agreed to note the reasons behind the revisions to the accounts and the arrangements by which the circumstances giving rise to these should be avoided in 2006-07 and beyond.
- 25.2 Update on National Shared Services – the Committee noted a previously circulated report providing an update on the progress towards implementation of National Shared Services in Finance and the related work within NHS Lothian.
 - 25.2.1 Mr Martin explained that the recommendation for the location of the separate hubs for Payroll and Financial services was currently with the Minister and an announcement was not now anticipated until September, by which time the Full Business Case should have been submitted for approval.
 - 25.2.2 The Chair raised the issue of savings and the impact on staff and Mr Matheson explained that he sat on the Project Board and, whilst he was very supportive of the direction of travel, he did have concerns about the savings likely to be achieved. He was unwilling for had reservations about NHS Lothian to move from local to national systems at this stage until a robust and deliverable implementation plan had been produced.
 - 25.2.3 It was noted that any savings generated would remain with Health Boards and that a number of potential savings identified had already been achieved as part of the local move to single system working.
 - 25.2.4 The Committee expressed concern that the returns quoted did not appear to justify the substantial investment in the systems.
 - 25.2.5 It was noted that there was strong partnership engagement in this locally and NHS Lothian Payroll staff were extremely concerned at the implications for their jobs. Accordingly, it was extremely difficult to recruit trained payroll staff whilst their future was uncertain.
 - 25.2.6 Mr Anderson commented that he felt uneasy having read this report and the subsequent report on the review. In particular, he was concerned about the ownership of projects and would like reassurance that the issues around "fire fighting" had now been resolved.

- 25.2.7 Mr Matheson advised that his main area of concern was the potential for destabilisation of financial systems across Scotland.
- 25.2.8 Ms Bradley indicated that these comments echoed those of other Health Boards and advised that NSS was taking these concerns very seriously.
- 25.2.9 The Committee agreed to note the report.
- 25.3 NSS Scotland National Shared Support Services Governance Review – Stage One – a previously circulated report outlining key messages from the NHS National Services Scotland Governance Review - Stage One was noted.
- 25.4 Journal Entries – the Committee received a previously circulated report from the Associate Director of Finance (University Hospitals Division) providing a further analysis of the Journal entries paper presented to the previous meeting on 26 June 2006. This report focused accruals/other Journals for the University Hospitals Division.
- 25.4.1 Ms Carmichael advised the meeting that the number of Journal entries was being constantly reviewed, with a view to reducing the number of Journals. As part of the work being undertaken as a result of the introduction of a single database for NHS Lothian, common policies and procedures were being developed to ensure appropriate authorisations were in place, and manual Journals were kept to as low a number as possible.
- 25.4.2 In response to a question from the Chair, Ms Carmichael confirmed that the reviews would address areas of risk, particularly in respect of fraud.
- 25.4.3 The Committee agreed to note the report.
- 25.5 Write-Off of Debt – a previously circulated paper inviting the Committee to note the write-off of accounts less than £5,000 and agree a request to the Scottish Executive to write-off the amounts over £5,000.
- 25.5.1 The Chair questioned whether the delegated levels for writing off debt had been reviewed recently and Mr Payne confirmed that these had been reviewed in the Scheme of Delegation approved by the Board on 22 March 2006.
- 25.5.2 Ms Douglas questioned what steps had been taken to see that such debts were not permitted to happen again and Ms Carmichael confirmed that policies and procedures had been revised. A number of the debts were in respect of private treatment and new policies required such treatment to be paid for in advance. Ms Carmichael confirmed that due process had been followed and that when debt collectors were used to recover such debts, they were only paid if they were successful.
- 25.5.3 Ms Hollis indicated that one of the major problems in respect of salary over-payments was with junior doctors and a lot of work was being put into improving the situation.

25.5.4 The Committee agreed to note the write-off of accounts less than £5,000 and agreed to approve the request to the Scottish Executive to write-off the amounts over £5,000, subject to confirmation that the Central Legal Office had been involved in the process. **DC**

25.5.5 It was agreed that Ms Carmichael would bring a paper to the next meeting providing a summary of the lessons learned in respect of the writing off of bad debts. **DC**

26. 2005/06 Patients Private Funds

26.1 NHS Lothian Patients' Funds Annual Accounts 2005/06 – a previously circulated report, together with the audited NHS Board Patients Private Funds Annual Accounts for the year ended 31 March 2006 were received.

26.1.1 The Committee noted that the Auditors, KPMG LLP intended to give an unqualified opinion on the abstract of accounts which had been prepared on the basis required by the NHS Scotland Manual of Accounts.

26.1.2 The Committee agreed to recommend approval of the NHS Lothian Patients' Funds Annual Accounts 2005/06 to Lothian NHS Board. **JM**

26.2 KPMG – Lothian NHS Board – Patients' Private Funds, Audit: Year Ended 31 March 2006 – a previously circulated letter from KPMG LLP, together with the Patients' Private Funds Audit for the year ended 31 March 2006 were received.

26.2.1 It was noted that, in general, the controls in relation to the administration of Patients' Private Funds were operating as designed. The External Auditors did, however, identify a number of areas where the control environment could be strengthened by the Board, including ensuring that –

- only one receipt book was in use at any time and that receipts were issued in numerical order to reduce the risk of misappropriation of cash
- updating the Financial Operating Procedures for the administration of the Fund
- formally reviewing the investment strategy for patient monies to ensure patients were getting the best possible return.

26.2.2 In addition, a number of other minor procedural matters were noted and recommendations had been made to address them, together with matters noted above. When implemented, these would improve the effectiveness of the control environment and the recommendations were detailed in the action plans accompanying the report.

26.2.3 Mr Martin indicated that a number of these issues were long-standing, and it was agreed to recommend the report to Lothian NHS Board for approval. **JM**

27. External Audit Reports

27.1 KPMG – Lothian NHS Board – Management Report, Audit: year Ended 31 March 2006 – the Committee noted the previously circulated Management Report from KPMG LLP on the audit for the year ended 31 March 2006.

27.1.1 Mr Matheson drew the Committee's attention to the fact that there were no grade 1 recommendations and that the grade 2 and grade 3 recommendations were being progressed.

27.1.2 Mr Anderson raised the question of manual journal entries and Ms Carmichael confirmed that the procedures in respect of these had been tightened up in line with External Auditors' recommendations.

28. Follow-Up Reports

28.1 Follow-Up of Prior Year Audit Recommendations – Pan-Lothian Schedule – Mr Payne introduced the previously circulated update on the follow-up results for the Pan-Lothian Audit Recommendations to date. It was noted that given the scale of the task, the results were always a reflection of the extent of recent follow-up work undertaken at any point in time. The Committee agreed to note the approach being taken and the results achieved.

28.2 Follow-Up of Priority 1 Recommendations from 2005/06 Annual Audit Report – the Committee noted the previously circulated report on the progress made to date on the Priority 1 recommendations raised in the 2005/06 annual audit report to the Board.

28.2.1 Mr Payne indicated that two of the Priority 1 recommendations in the report had been implemented, one partially and two were not yet due. It was noted that several of these recommendations were very broad in nature, therefore, key significant steps taken to address them had been noted.

28.2.2 The Chair commented that the achievement of CRES savings was proving to be extremely difficult and Ms Douglas emphasised the need for NHS Lothian to be aware of how the concept of CRES was communicated to clinicians so that they appreciated that the cash released was reinvested in patient services.

28.2.3 Mr Matheson indicated to the Committee that the final version of the KPMG annual report would be going to the September Board meeting. **JM**

28.2.4 The Chair indicated that he would raise the issue of CRES through the "Lothian Way" discussions, and Mr Matheson suggested that a clearer, more descriptive name for CRES savings might be appropriate. **SGR/JM**

29. General Corporate Governance

- 29.1 Linkages Between Committees of the Board – a previously circulated report from the Chairs of the Healthcare Governance and Risk Management Committee, the Finance and Performance Review Committee and the Audit Committee was received.
- 29.1.1 The Committee noted that the purpose of this report was to examine the linkages and over-lapping responsibilities between the Healthcare Governance & Risk Management Committee, the Finance & Performance Review Committee and the Audit Committee.
- 29.1.2 Dr Swainson indicated that it was essential, particularly under single system arrangements that the Board was assured that effective quality assurance and governance arrangements were in place between Committees. This would ensure that areas of responsibility and accountability were clearly identified and defined and that effective controls and monitoring arrangements were in place.
- 29.1.3 The report outlined the separate responsibilities of the Healthcare Governance & Risk Management Committee, the Finance & Performance Review Committee and the Audit Committee and it was noted that these Committees should regularly be exchanging reports and Minutes.
- 29.1.4 Mr Matheson indicated that the Finance Department would bring reports to the Healthcare Governance & Risk Management Committee showing compliance with HEAT.
- 29.1.5 It was noted that there were particular concerns in respect of the engagement of CHPs in the Healthcare Governance and Risk Management arrangements and it was agreed that similar arrangements to those in place in the University Hospitals Division should be in place in the CHPs and the Primary Care Organisation and that it was very important that these arrangements were crystal clear.
- 29.1.6 It was agreed that each Committee should have a standing items on its agenda for reports from the other Committees, as well as the routine reporting of Minutes.
- 29.2 NHS Lothian Framework of Delegation – the Committee noted a previously circulated paper and Framework of Delegation.
- 29.2.1 Mr Payne explained that this Framework of Delegation had been included as part of the evidence submitted from the forthcoming QIS peer review visit on the clinical governance and risk management standards.
- 29.2.2 Ms Douglas commented that this was a very useful document and Mr Matheson confirmed that explicit clarity on accountability and compliance with Standing Financial Instructions was an important parts of the process of delegation.
- 29.2.3 Mr Payne indicated that the Framework of Delegation would be placed on the NHS Lothian Intranet and the Committee agreed to approve the document, in

principle, for use throughout NHS Lothian, acknowledging that the document could be refreshed as and when required by the leads for each section, through the Corporate Governance and VFM Manager. The Committee invited members to provide any comments and suggested text to the Corporate Governance and VFM Manager with a view to improving the document, and agreed that the Framework of Delegation should be incorporated into the Standings Orders when they were next reviewed.

AP

29.2.4 The Chair thanked Mr Payne for his work on this matter.

29.3. Audit Committee Forum – Mr Anderson advised members that the next meeting of the Audit Committee Forum would be held at 1.30pm on 5 October 2006 in the Scottish Health Service Centre. Mr Bob Black from Audit Scotland would be speaking and he encouraged members to attend if they possibly could.

29.3.1 Mr Matheson indicated that CIPFA had already organised a one-day conference of the Role of Audit Committee Members and a further conference would be organised in November.

30. Items for Information

30.1 Learning the Lessons from Financial Failure in the NHS – Audit Commission Report July 2006 – the Committee noted for information a previously circulated report from the Audit Commission on Learning the Lesson from Financial Failure in the NHS.

30.1.1 Mr Matheson commented that it was interesting to make comparisons with the challenges being faced in England, including structural challenges, IT projects, committee structures, etc. He drew attention to paragraph 41 which emphasised the importance of the role of the Non-Executive Director for constructive challenge at Board level, as well as the challenges facing Finance Directors outlined in paragraph 45.

30.1.2 The Chair suggested that this document might be used as the basis for a 2-hour training session and Mr Matheson indicated that he was setting up a Finance session for Board members in early November.

30.1.3 The Committee agreed to note the report.

30.2 Independent Review of Regulation – the Committee noted a previously circulated letter from the Independent Review of Regulation, Audit Inspection and Complaints' Handling of Public Services in Scotland giving an explanation of the review and how the Chair, Professor Lorne Crerar proposed to approach it.

30.2.1 Mr Matheson indicated that he would be producing a response to this letter and this would be brought back through the Audit Committee.

AP

30.2.2 It was noted that whilst NHS Boards were not directly referred to in the circulation list, Mr Messer had received verbal confirmation that NHS Boards were to be fully involved, and the absence from the list was an oversight.

JM

31. Date of Next Meeting

31.1 It was noted that the next meeting of the Committee would be held on Monday, 23 October 2006 at 9.00am in the board BoardRoom, Deaconess House, 148 Pleasance, Edinburgh.

31.2 The meeting closed at 10.58am.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 23 October 2006 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair); Mr R Y Anderson; Mr E Egan; Mr S G Renwick; Dr A Tierney and Cllr I Whyte.

In Attendance: Professor J J Barbour (Chief Executive, NHS Lothian); Ms D Carmichael (Associate Director of Finance, University Hospitals Division); Mr G Curley (Head of Estates, NHS Lothian); Ms R Kelly (Associate Director of Human Resources); Mr D McConnell (External Auditor, Audit Scotland); Ms F McKenzie (Internal Audit Manager); Mr C Marriott (Associate Director of Finance – Strategy); Mr I Messer (Chief Internal Auditor); Ms C Orr (Commissioner for Women and Children); Mr A Payne (NHS Lothian Corporate Governance and VFM Manager); Mr D Proudfoot (Deputy Chief Internal Auditor); Mr P Reith (Secretariat Manager) and Ms H Russell (External Auditor – Audit Scotland).

Apologies for absence were received from Mr J Matheson (Director of Finance) and Mr G Stevenson (External Auditor – Audit Scotland).

32. Audit Approach – Presentation by Audit Scotland

- 32.1 Mr D McConnell, Assistant Director of Audit Scotland indicated that, following an internal reorganisation, Ms L Bradley who was now on maternity leave, would become Director of Audit for Local Government on her return to work. Mr G Stevenson would be Director of Audit for Health but would not be able to be the NHS Lothian appointed Auditor and this individual still had to be identified.
- 32.2 Mr McConnell gave the Committee a brief update on the responsibilities of Audit Scotland as the Board's External Auditors, outlining the External Audit duties, the risk based approach that would be used, the main features of the audit process, the approach to risk and control, understanding the business, priorities and risk framework 2006/2007, priority and risk framework and the assurances that would be provided to NHS Lothian.
- 32.3 Mr McConnell indicated that following the work by Audit Scotland, they would be better able to understand the business of NHS Lothian and its risks and context and improve focus of audit and client resources on key issues. There would be more informed and higher level debate with officers and Audit reports would be more relevant with no surprises. The work would help Audit Scotland obtain a clearer local and national picture of risks and issues across Scotland and increase the ability to follow the public pound through the NHS system, as well as providing an early warning of key issues or themes.

- 32.4 The Chair thanked Mr McConnell for his presentation and opened the matter to questions.
- 32.5 Mr Renwick questioned how NHS Lothian could be certain that it was getting value for money from Audit Scotland as its External Auditors and Mr McConnell explained that the actual fees charges were specified centrally but that Audit Scotland did try to use the same people with contiguous Local Authorities in order to keep the process as joined up as possible.
- 32.6 Professor Barbour emphasised that NHS Lothian was keen to work positively with Audit Scotland and suggested that the Private Finance Initiative contract for the new Royal Infirmary of Edinburgh would be a useful area to explore with Audit Scotland in the light of the significant financial burden this placed on NHS Lothian.
- 32.7 Mr Marriott questioned the reporting timescale and Mr McConnell indicated that Audit Scotland would be providing an audit risk assessment plan in due course.
- 32.8 Mr Egan expressed some disappointment that discussions continued to relate mostly to finances, with little reference being made to other significant areas, such as staffing. He also commented that NHS organisations were increasingly having to bear the financial burden of mandatory initiatives driven by the Scottish Executive, such as the Consultants' Contract.
- 32.9 Mr McConnell emphasised that Audit Scotland did look at other wider governance areas.

33. Minutes of the Previous Meeting

- 33.1 The previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 28 August 2006 were approved, subject to the following amendment:-

Minute 25.2.4 – the Minute to read "The Committee expressed concern that the returns quoted did not appear to justify the substantial investment in the systems and Mr Matheson would convey these concerns to the Project Board."

JM

34. Matters Arising

- 34.1. Matters Arising from the Meeting of 28 August 2006 - the Committee noted a previously circulated paper detailing the matters arising from the Audit Committee meeting on 28 August 2006, together with the action taken and the outcome.
- 34.1.1 Mr Payne advised he had no specific items to highlight. Ms Carmichael advised that in respect of the specific case referred to in the minute, the Central Legal Office had not been involved in the recovery process and that

the time had elapsed for this to be an option. The Central Legal Office was engaged in appropriate cases.

34.1.2 Mr Egan commented in respect of the unsigned partnership agreement for West Lothian Community Health and Care Partnership that there was an outstanding issue of accountability of members of the CHCP.

34.1.3 Professor Barbour confirmed the governance difficulties arose as a Council issue and it might well be necessary for the issue of delegated authority being granted to officials to be taken back to the Council. Efforts were being made to make the system work as practically and sensibly as possible.

34.1.4 Mr Marriott commented in respect of national shared services that there was a paper on the agenda and that there had been some changes in the position with timescales continuing to drift.

34.2 Draft Letter to the Independent Review of Regulation - a previously circulated draft letter to Professor Lorne Crerar, Chair of the Independent Review of Regulation Audit Inspection and Complaints Handling of Public Services in Scotland was received.

34.2.1 The draft was agreed subject to amendments by Cllr White that he would take up directly with Mr Payne.

IW/AP

35. Linkages with other Board Committee

35.1 Finance & Performance Review Committee – the previously circulated Minutes of the meeting of the Finance & Performance Review Committee held on 16 August 2006 were received.

35.2 Healthcare Governance & Risk Management Committee – the previously circulated Minutes of the meeting of the Healthcare Governance & Risk Management Committee held on 16 August 2006 were received.

35.2.1 Professor Barbour reported that the NHS QIS process had been completed the previous week and had been well organised, demonstrating NHS Lothian's big strengths in terms of single system working. Some improvements had been identified as being required to improve on information technology, otherwise a positive report was expected. Professor Barbour expressed his appreciation for the work of all the NHS Lothian staff involved.

35.2.2 Mr Renwick brought up the issue of points being raised by Committee members and not being answered. Cllr Whyte indicated that a meeting was being held to identify outstanding issues still requiring to be dealt with.

35.2.3 Mr Messer indicated that he hoped to see business continuity on the Workplan.

36. Internal Audit Reports

36.1 Lothian and Borders Management Audit Services – Lothian NHS Board Pan-Lothian Audit Update (2006/07) – a previously circulated report bringing to the Committee's attention a number of additional Internal Audit projects that required changes to the previously agreed internal Audit Plan. The paper summarised the proposed additional work and showed how it was proposed to accommodate this through amendments to the Audit Plan.

3.6.1.1 Mr Messer indicated that there had been a number of requests for additional Audit activity and recommended the changes to the Committee. Mr Egan questioned the proposed change in the community contract audit and Professor Barbour advised the proposed changes should go through the Executive Management Team, with individual Directors being asked to justify the changes in priority.

IM

36.2 Lothian and Borders Management Audit Services – Child Protection – Preparation for Inspection (Pan-Lothian 2006-07) – the Committee received a previously circulated report on the arrangements being followed for the areas of child protection.

36.2.1 Mr Proudfoot advised the Committee that whilst procedures were operating well to ensure that individual case files could be located effectively, improvements were required in the initial referral discussions and cause for concern children's files. The procedures before children started school were more rigorous than those in place once they had started. There was a need to highlight when a child was not seen as being at risk and the difficulties illustrated the differences between School Nurses and Health Visitors,

36.2.2 Ms Orr informed the Committee that from 4 September 2006 all Child Protection Advisers would be in post and would be responsible for supervising all staff involved. Whilst School Nurses dealt with ten times more children than Health Visitors, there would be a common process in operation in Lothian.

36.2.3 Mr Egan raised his concerns about resources made available from Local Authorities. School Nurses were not always told if there was an at risk child and this could leave a gap in the protection.

36.2.4 Ms Orr advised that the number of Child Protection Advisers had been increased from one to five and these staff would now be able to give greater levels of supervision.

36.2.5 Professor Barbour commented that this was a timely report and the work undertaken by Internal Audit on this delicate subject was much appreciated. There remained further work in progress and there were some local issues in Midlothian to be addressed. Communications were still seen as an area needing to be tightened up and this aspect would be considered at the next meeting of Lothian NHS Board in November 2006.

36.2.6 The Committee agreed to accept the recommendations in the report.

- 36.3 Lothian and Borders Management Audit Services – Property Transaction Monitoring (Pan-Lothian 2006-03) – a previously circulated report on the Audit work carried out on the property transactions completed by NHS Lothian during 2005/06 was received.
- 36.3.1 Mr Proudfoot indicated that of the six property transactions completed, three had been graded “A”, two as “B” and one of the transactions as “C”.
- 36.3.2 In respect of the latter transaction, there had been a number of failures to comply with the NHS Property Transactions Handbook involving the lease of a commercial outlet located in the main foyer of St John's Hospital. There was no formal lease between NHS Lothian and the leasee and the Property and Legal Advisers' certification was not completed.
- 36.3.3 In addition, two of the transactions had been signed by the Director of Finance acting under delegated authority from the Chief Executive and this was not consistent with the requirements of the Handbook.
- 36.3.4 Mr Curley advised the Committee that significant organisational changes had been undergone during the period discussed and there had been confusion during the transition to single system working.
- 36.3.5 Mr Renwick suggested it would be helpful to have a report from Mr J Jack outlining the actions taken to ensure that these departures from the NHS Lothian Property Transactions Handbook did not re-occur.
- 36.3.6 Professor Barbour advised the Committee that he had been unaware of these matters until he had received the agenda for today's meeting. He understood from advice received that the actions and position had been checked with the Central Legal Office. He commented that there was often pressure to speed up transactions and he would be insisting on a much more rigorous process to assure that the correct processes were being followed.
- 36.3.7 The Chair proposed that the Standing Financial Instructions be amended to ensure they were compliant with the requirements of the Property Transactions Handbook. **AP**
- 36.3.8 The Committee agreed to note the position and request a further report on the action taken to assure that the correct processes were being followed. **JJ**
- 36.4 Lothian and Borders Management Audit Services – Clinical Coding (UHD 2005-07) – a previously circulated report on the control systems in place to ensure that activity coding was timely, accurate and complete and that progress had been made in addressing the backlog in coding identified in 2005 was received.
- 36.4.1 Ms McKenzie advised the Committee that there was a considerable amount of missing information in discharge letters and that although the backlog had been reduced, NHS Lothian currently fell short of the target for submission of coded information to ISD which was currently 12 weeks. In addition, this

target was to be reduced to just 6 weeks from December 2006. Whilst the backlog had been reduced, it was now increasing, mainly due to reorganisation and the introduction of the new TRAK HIS.

- 36.4.2 Mr Renwick expressed his disappointment that the original improvements in performance had not been maintained and questioned where there was a patient safety issue.
- 36.4.3 Mr Anderson questioned why the overall evaluation was mere "requires improvement" rather than "unsatisfactory". Mr Egan suggested that the problem might lie in the fact that the number of coders had been reduced in order to fund CRES savings.
- 36.4.4 Ms Carmichael indicated that work carried out for English Health Authorities could not be invoiced until the coding had been carried out and that such coding should be expedited.
- 36.4.5 Ms McKenzie indicated that problems arose not just with discharges but also with some episodes which had no closing procedures, for example "no shows". Clear lines of responsibility were required and this was proving difficult as the on-line functionality for discharge notes was not being made mandatory.
- 36.4.6 It was agreed that this matter should be referred to the Healthcare Governance & Risk Management Committee meeting in December and Ms Carmichael emphasised the need for coding to be accurate as well as timeously as there was a danger of recording less complex procedures if a limit was placed on the codes.

JM

37. Corporate Accounting

- 37.1 Lessons Learned from Bad Debt – the previously circulated paper from Ms Carmichael was received outlining the lessons learned from the write-off of bad debt.
 - 37.1.1 Ms Carmichael advised that procedures had been tightened up and a further report would be brought back to the Committee.
- 37.2 National Shared Services – a previously circulated report giving an update on the progress towards implementation of national shared services in Finance was received.
 - 37.2.1 Mr Marriott indicated that the viability of the Business Case was dependent on the level of savings that could be attributed as arising from the proposed investment in implementing the project. The investment requirement in the latest iteration of the Business Case had been reduced from £26.1 million to £24.7 million, with the saving being achieved primarily on projected transitional operating costs. The annual savings were projected at £6 million.

- 37.2.2 Mr Egan commented it was becoming extremely difficult to recruit and retain Payroll staff and the Committee expressed concern at the continuing viability of the project.
- 37.2.3 Mr Renwick suggested that local discussions at SEAT level would be appropriate and Mr Anderson indicated that the Auditor General had flagged up governance of shared services as a major risk. It was agreed that clarification should be sought on whether this was on the Risk Register. **CPS**
- 37.2.4 Mr Marriott undertook to bring back a further update report to a future meeting. **CM**
- 37.3 Transactions Analysts – Audit of Supplier Payments – the Committee noted a previously circulated report on results of an audit of supplier payments covering the financial year 2001-2005.
- 37.3.1 Mr Marriott advised the Committee that Transaction Analysts Scotland Limited were only paid their fee as a percentage of money actually recovered.
- 37.3.2 The Committee agreed to note the report and that the Fraud and Operation Risk Summary report arising from the audit would be presented to the February 2007 meeting of the Committee. **RM**

38. External Audit

- 38.1 Audit Scotland: Priorities and Risks Framework – a previously circulated report from Audit Scotland on the priorities and risks framework was received for information.
- 38.2 Developing Best Value Arrangements – a previously circulated report from Audit Scotland on Developing Best Value Arrangements – A Baseline Review across the NHS in Scotland was received.
- 38.2.1 The Committee noted the report and that a Board paper would be produced that would start the process to develop arrangements for, and awareness of, the Best Value agenda.

39. General Corporate Governance

- 39.1 Senior Managers' Pay – a previously circulated report from the Director of Human Resources advising about a recent salary over-payment to a number of senior managers was received.
- 39.1.1 The Committee welcomed Ms Kelly to the meeting and she explained that an error had occurred in the processing of the pay uplift for 2004/05 for a small number of senior managers. Whilst it was not clear exactly how this error occurred, improvements in the communications between Human Resources and the Payroll department were being improved and more robust checking mechanisms introduced.

- 39.1.2 The Committee noted that arrangements were in place for the recovery of any over-payments and arrangements were being put in place to ensure that such over-payments could not occur again in the future.
- 39.1.3 Mr Egan indicated he had some concerns over senior managers who were not to be included under Agenda for Change and Ms Kelly confirmed that the pay and terms of conditions for all senior managers would be handled centrally by the Pay and Policy Team, in conjunction with the Director of Human Resources and any changes to their pay would have to be authorised by the Remuneration Committee. On an annual basis, when the pay circular was received for these staff, a meeting would be held with the Payroll Managers and the implications of the pay circular for each individual would be assessed, the new salary agreed and any arrears of pay calculated. Letters would then be issued to each senior manager detailing the pay uplift.
- 39.1.4 The Committee agreed to note the report and supported the process for ensuring the recovery of any monies overpaid.
- 39.2 Follow-Up of Prior Year Audit Recommendations – Pan-Lothian Schedule – a previously circulated report from the NHS Lothian Corporate Governance and VFM Manager was received.
- 39.2.1 Mr Payne outlined a number of areas where recommendations had not been assessed as implemented or partially implemented, based on the follow-up work to date. A number of these recommendations were dependent on other systems being in place before they could be implemented.
- 39.2.2 Mr Egan expressed concern at the number of recommendations that had not been implemented and requested that reports be brought back to the Committee on why these had not been implemented within the agreed timescale.
- 39.2.3 Professor Barbour appreciated that this was a matter of concern and he would take this up with the Executive Management Team and discuss it with the Director of Finance. It was also agreed that the Chair and Mr Payne would discuss how the report to the Audit Committee could highlight any materiality and risk arising from the failure to implement Audit recommendations.
- 39.3 Technical Brief – the Committee noted for information the previously circulated Technical Bulletin extracted from the Audit Scotland Bulletin 2006/3 dated September 2006.
- 39.3.1 Mr Marriott indicated that as part of the Board's audit for 2006-07 an exercise would take place to identify potential fraud or error by matching information. This would include checking Payroll information across NHS bodies, checking Payroll data between NHS bodies and Council and checking the source of authorisation on the Scottish Partnership Forum.

AP

- 39.3.2 Mr Proudfoot undertook to let the Committee know if Counter Fraud Services would be involved as well.

DP

40. Items for Information

- 40.1 Audit Commission Review of the NHS Financial Management and Accounting Regime – the previously circulated report from the Audit Commission on their review of the NHS financial management and accounting regime was received.

- 40.1.1 Mr Egan raised the issue of training for staff in financial management where such capacity was required.

- 40.1.2 Mr Anderson drew attention to the recommendations on strengthening financial governance on page 61 and Mr Payne undertook to provide a bullet point list on how NHS Lothian shaped up to this.

AP

41. Date of Next Meeting

- 41.1 It was noted that the next meeting of the Committee would be held on Monday, 12 February 2007 at 9.00am in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 12 February 2007 in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair); Mr R Y Anderson; Mrs T Douglas; Mr E Egan; Mr S J Renwick and Cllr I Whyte.

In Attendance: Professor J J Barbour (Chief Executive, NHS Lothian)(from 10:20 a.m.); Mr G Curley (Head of Estates, NHS Lothian); Ms L Hollis (Associate Director of Finance); Ms F McKenzie (Internal Audit Manager); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr D Miller (General Manager, Primary Care Contracts); Mr A Payne (NHS Lothian Corporate Governance and VFM Manager); Mr P Reith (Secretariat Manager); Mr H Russell (External Auditor – Audit Scotland) and Ms G Woolman (External Auditor – Audit Scotland).

Apologies for absence were received from Dr A Tierney.

The Chair welcomed Ms Woolman to her first meeting of the Audit Committee as External Auditor.

42. Minutes of the Previous Meeting

42.1 The previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 23 October 2006 were approved, subject to the following amendments:

Minute 35.2.2 – the first sentence to read "Mr Renwick commented that the Minutes should reflect the decisions taken on the points being raised by Committee members."

43. Matters Arising

43.1 Matters Arising from the Meeting of 23 October 2006 – the Committee noted a previously circulated paper detailing the matters arising from the Audit Committee meeting on 23 October 2006, together with the action taken and the outcome.

43.1.1 Mr Matheson advised the Committee that he was taking up the need for the coding to be accurate and timeous with Ms Carmichael.

JM

- 43.1.2 Mr Matheson and Mr Payne briefly outlined the action being taken to provide training for staff in financial management.
- 43.2 Memo from Director of Facilities on Property Transactions Monitoring – a previously circulated memorandum from the NHS Lothian Director of Facilities was received.
- 43.2.1 Mr Curley reminded the Committee that, prior to single system working, some property transactions were not given the appropriate recognition or resource by the former Trusts/Divisions and there had been a limited opportunity for Trusts/Divisions to engage and share expertise. Subsequently, some transactions were dealt with inconsistently and did not receive favourable outcomes from Audit.
- 43.2.2 Mr Curley was able to reassure the Committee that single system working had resolved many of these issues and a number of measures had been introduced to ensure the implementation of best practice and compliance with the NHS Scotland Property Transactions Handbook.
- 43.2.3 Mr Curley advised the Committee that there would still be some sales made under the old system to come through and it would not be possible to guarantee that such earlier transactions had complied with the Property Transactions Handbook.
- 43.2.4 Mr Curley advised the Committee that proposals were being put to the Board for further delegated authority to authorise transactions to be vested in the Director of Finance and the Director of Human Resources and Organisational Development. This recommendation should result in more timely approval of transactions should the Chief Executive not be available.
- 43.2.5 Mr Egan asked when the Audit Committee would receive an update on earlier transactions such as the disposal of Bangour Village Hospital. Mr Curley advised that a monthly report was provided to the Director of Human Resources.
- 43.2.6 Mr Matheson advised the Committee that NHS Lothian was in negotiation with a possible purchaser of the Bangour Village Hospital site and undertook to keep the Audit Committee informed of progress. The sale of the other site had been agreed and would be going to the next meeting of Lothian NHS Board. Mr Messer was checking that the appropriate processes had been gone through and would take an overview of the processes involved.
- 43.2.7 Ms Woolman welcomed the report and the update and emphasised the importance of ensuring that due control was exercised.
- 43.2.8 Mr Anderson commented that there should be a regular report to the Finance & Performance Review Committee on sales and acquisitions.

44. Sub-Committee Minutes

44.1 Draft Minutes of the University Hospitals Division Audit Sub-Committee of 19 December 2006 – the previously circulated Minutes of the University Hospitals Division Audit Sub-Committee, held on 19 December 2006, were received.

44.1.1 Mr Renwick spoke to the Minutes and advised the Committee that some Audit reports were still awaited.

44.1.2 Mr Egan raised the issue of Consultant workplans and on-calls, which had not been considered at the Audit Sub-Committee. He also expressed concern that issues such as Pharmacy stock were being addressed through the Audit Sub-Committees.

44.1.3 Mr Messer advised that an audit of the Consultant workplan was not being undertaken in the current financial year but would be something for next year's Audit Plan. The previous year's audit had been of the implementation process.

44.1.4 Mr Anderson commented that Mr Smith had raised Non-Executive involvement with him and, in particular, the Non-Executive involvement with clinical governance issues. Mr Anderson indicated that these would be raised when the Committee structure and membership was reviewed by the Board. **JM**

44.2 Draft Minutes of the Primary Care Audit Sub-Committee of 11 January 2007 – the previously circulated Minutes of the meeting of the Primary Care Audit Sub-Committee, held on 11 January 2007, were received.

44.2.1 Mrs Douglas spoke to the Minutes and Mr Egan expressed his concern that none of the CHP General Managers had attended the Audit Sub-Committee although it was noted that there had been representation from each CHP at the meetings. The Committee reiterated this concern and Ms Hollis advised that Mrs Douglas had written to them. It was noted that the title of the Committee was being changed to the Primary & Community Audit Sub-Committee.

44.2.2 In response to a question from Ms Hollis, Mr Messer confirmed that single system issues such as Estates and Facilities would fall under Lothian NHS Board Audit Committee for audit purposes.

44.2.3 Mrs Douglas commented that it would be helpful to be updated on the position in respect of the work being undertaken by Internal Audit.

44.2.4 Mr Anderson commented that a Primary & Community Audit Sub-Committee would continue to be required after the dissolution of the Primary Care Organisation and the attendance of CHP General Managers was essential.

45. Linkages with Other Board Committees

- 45.1 Finance and Performance Review Committee – the previously circulated Minutes of the meetings of the Finance and Performance Review Committee, held on 11 October and 13 December 2006, were received.
- 45.1.2 Mr Egan commented that in the past a number of Business Cases coming to the Finance & Performance Review Committee had had a revenue gap and he commented that there was an urgent need to find out about any such gaps as soon as possible. Mr Renwick endorsed Mr Egan comments and cited the difficulties experienced with the Forensic Unit. and it was noted that there was a requirement to fund both capital and revenue, although the key concern had been in identifying the revenue.
- 45.1.3 It was noted that Mr McCaffery would be bringing a report to the Finance & Performance Review Committee meeting on three of these cases. Mr Matheson confirmed that he and the Chief Executive wished to ensure minimal exposure for NHS Lothian.
- 45.1.4 Mr Egan accepted that it was sometimes difficult to get the figures absolutely right but, he remained concerned that there was a substantial gap.
- 45.1.5 The Chair commented that it would be useful to have a detailed examination of these Business Cases and it was agreed that this would be picked up when benefits realisation was considered.
- 45.2 Healthcare Governance & Risk Management Committee – the previously circulated Minutes of the meetings of the Healthcare Governance & Risk Management Committee, held on 10 October and 12 December 2006, were received.
- 45.2.1 Cllr Whyte spoke to the Minutes and it was noted that Mrs Douglas had been present at the meetings.
- 45.2.2 Mr Egan expressed concern as to precisely where responsibility for dealing with governance failures lay and whether it was the Finance & Performance Review Committee, the Healthcare Governance & Risk Management Committee or the Audit Committee. He felt that the Audit Committee should take an over-arching view and that there should be better communication links with Non-Executive Board members. Mr Matheson explained where the governance boundaries lay.
- 45.2.3 Mr Anderson commented that the Board Brief was a good way to ensure communication with Non-Executive Board members and the Chair suggested that Committee Chairs might discuss this matter.
- 45.2.4 Mr Egan commented on the figures for fractured neck of femur of 13% for the month of December and expressed his concern that appropriate processes were in place to reassure the Board that governance issues were being covered. Non-Executive Board members required the right information in good time to enable them to take appropriate decisions.

JM

45.2.5 Mr Anderson commented that this figure had not previously been reported by the Division through its Performance Management arrangements.

45.2.6 It was agreed that the Chair should discuss this with Mr Anderson, Mr Egan and Cllr Whyte.

LJ/RYA/EE/IW

46. Internal Audit Reports

46.1 Audit Plan Changes – a previously circulated report, advising the Committee of progress in delivering the 2006/2007 Pan-Lothian Internal Audit Plan and highlighting for approval a number of Audit Plan changes, was received.

46.1.2 Mr Messer advised the Committee that there was a significant amount of work for Internal Audit to complete and this had been made more difficult by illness in the Department and an unfilled vacancy. The audit year had tended to continue into April and May and this would definitely be the case for 2006/2007. The impact of this for the 2007/2008 plan would be closely monitored.

46.1.3 Mr Messer confirmed that Internal Audit would be working with PricewaterhouseCoopers to take forward some audits, and with Mr Payne and his team on the follow-up.

46.1.4 Mr Renwick suggested that details of what Internal Audit was doing could be posted on the Intranet in order to spread information. He also felt it would be helpful if a short thumbnail sketch could be attached to items giving a brief explanation.

46.1.5 Mrs Douglas questioned an assessment of communications as a low risk topic and Mr Messer advised this maybe meant it was not a number one priority in comparison to other issues.

46.1.6 Mr Egan welcomed the changes but expressed concern at the use of an external firm in contrast to the ban on the use of agency nurses and doctors. The Chair noted however that will contained within the internal audit budget that this was appropriate.

46.1.7 Mr Anderson commented it would be useful to have a presentation on the resources available to Internal Audit and how they were to be used to deliver the Audit Plan. He did not feel that making changes to the Audit Plan throughout the year was a good idea. Mr Messer advised that Internal Audit resource was covered in the presentation to be given later in the agenda.

46.1.8 Mr Matheson commented that there did still need to be a process whereby changing priorities could be reflected in the Audit Plan and the Chair agreed that this report should include progress made on the various items in subsequent versions. The Chair also asked that future IA update plans show the projects which were agreed at the start of the financial year and highlighting progress against each of them at that stage in the year e.g. completed, in progress with date commenced, postponed until; etc. Mr Messer agreed to undertake this for future reports.

- 46.1.9 The Committee noted the Audit Plan progress update and agreed the proposed Audit Plan changes.
- 46.2 Lothian and Borders Management Audit Services – Delayed Discharge Management: Data Collection and Reporting Procedures and Treasury – Single System Processes (Pan-Lothian 2006-26, December 2006) – a previously circulated report, documenting the findings of a review of the processes surrounding the collection and reporting of data relating to delayed discharges within NHS Lothian, and the NHS Lothian Treasury function, was received.
- 46.2.1 Ms McKenzie spoke to the report and the Committee noted that the TRAK system was now operational in the Royal Hospital for Sick Children.
- 46.2.2 In respect of the Treasury function, Mr Egan queried the non-compliance with Standing Financial Instructions and Scottish Executive requirements in relation to the £50,000 maximum allowed in commercial accounts, and Mr Matheson confirmed that this threshold was being reviewed. He also confirmed that the separate expenditure accounts for the University Hospitals Division and the Primary Care Organisation represented the transitional phase of the move to single system working.
- 46.2.3 The Committee agreed to note the reports.
- 46.3 Lothian and Borders Management Audit Services – Stock Count Completeness (Pan-Lothian 2006-49, November 2006) – the Committee received the previously circulated report on stock count completeness identifying stock holdings which had not been counted at the 2005/2006 year end and had not, therefore, been included in the annual accounts.
- 46.3.1 Mr Messer spoke to the report and advised that the exercise had identified some significant additional stocks which could potentially be included as stock for accounting purposes. This value would need to be verified in advance of the 2006/2007 year end.
- 46.3.2 Professor Barbour suggested that, with single system working bringing in a greater potential for savings, the whole policy of stock holdings should be re-examined in the light of the Internal Audit findings.
- 46.3.3 Ms Woolman emphasised the importance of looking out for obsolescence.
- 46.3.4 Mr Martin advised that joint equipment stores had not been included in the exercise and it was important to avoid double counting of stock.
- 46.3.5 It was noted that it was made clear in the executive summary report who would be responsible for taking the action identified and that the policy would be revised by the end of the financial year.
- 46.3.6 The Committee agreed to note the report.

- 46.4 Lothian and Borders Management Audit Services – Budgetary Control Procedures – Workshop Outlet and Other Observations – a previously circulated report, outlining the key issues identified at the workshop held on 20 November 2006, was received.
- 46.4.1 Mr Messer introduced the report and indicated that the Executive Summary timescale would be discussed at the first meeting of the Management Accounting Quality Improvement Group.
- 46.4.2. Professor Barbour referred to the paper considered by the Finance & Performance Review Committee on Public Value Budgeting and Mr Messer undertook to review this, while advising that the recommendation had been agreed in full with Finance and would not therefore be impacted by the contents of this paper.
- 46.4.3 Mr Egan questioned when zero-based budgeting would be further extended throughout NHS Lothian and Ms Hollis outlined the action being taken on the recommendations. Zero-based budgeting was being introduced more widely and Mr Matheson confirmed that additional budgets were being reviewed. Budgets would be signed off and would take account of efficiency savings targets.
- 46.4.4 Ms Woolman emphasised the importance of ensuring every budget holder was aware of their areas of responsibility after 1 April 2007 and Mr Matheson indicated that this would be the provenance of managers rather than audit staff.
- 46.4.5 The Committee agreed to note the report.
- 46.5 Presentation on the 2007/08 Internal Audit Plan – Mr Messer gave a detailed presentation outlining the Internal Audit planning process for 2007/08, discussing some likely themes and contents of the Plan and sought views on the structure of the Plan. He emphasised that the exercise was intended to provide the Audit Committee with assurance regarding the Internal Audit capability and he highlighted some issues to be taken forward in support of the planned delivery.
- 46.5.1 Mr Messer indicated that he intended to have an initial Audit Plan ready by the end of the financial year.
- 46.5.2 Professor Barbour emphasised the increasingly complex relationships between Internal Audit, CGVFM? and Audit Scotland as the external auditor. He had met with the Director of Finance and the NHS Lothian Corporate Governance and VFM Manager to discuss the escalation of unimplemented audit recommendations so that the necessary executive interventions could take place. He had been concerned that the issue raised in the recent Audit Scotland report had not been highlighted previously at the highest levels.
- 46.5.4 The Committee agreed to note the report.

IM

- 46.6 National Fraud Initiative – a previously circulated report, advising the Committee of initial results from the National Fraud Initiative, and the plans to take forward the investigations of these results, was received.
- 46.6.1 Mr Messer spoke to the paper and indicated that he would be having a meeting on Friday with Human Resources and Payroll to decide who would action the recommendations. Mr Martin commented that the indicators referred to in the report were high-level indicators and it was agreed that Mr Messer would report back to the next meeting of the Audit Committee detailing the staff who would be covered.
- 46.6.2 Mrs Douglas commented that although the report indicated that time would be required, this was not quantified and Mr Messer indicated that this would be resolved at a meeting later that week.
- 46.6.3 The Committee agreed to note the report.
- 46.7 NHS Counter Fraud Services – Patient Exemption Claims Methodology – a previously circulated report was received highlighting a revised approach to the methodology for patient exemption claims extrapolation by Counter Fraud Services and providing assurance that the methodology adopted for patient exemption claims extrapolation had been verified by the CFS statistician.
- 46.7.1 The Committee noted that the Primary Care Audit Sub-Committee had previously raised concerns over this matter and the work done by statisticians to ensure robust processes.
- 46.7.2 The Committee agreed to note the report and the fact that the four recommendations raised by Counter Fraud Services had been implemented for 2006.
- 46.8 Counter Fraud Services Activity – the Committee noted a previously circulated paper advising of the most significant activities and outcomes delivered by Counter Fraud Services in the year to date on behalf of NHS Lothian.
- 46.8.1 Mr Messer spoke to the report and outlined the areas of activity.
- 46.8.2 The Committee noted that Operation Newton, which related to fraud allegations at a dental practice, had originally been referred in 2002 and was closed in October 2006. Insufficient evidence had been identified to support criminal action against any individual in this case and Counter Fraud Services had acknowledged shortcomings in the conduct of the investigation and had confirmed that steps had been taken to address the issues identified.
- 46.8.3 Mr Egan expressed concern that over 2¹/₂ years since the complaint had been made no disciplinary action had been taken.
- 46.8.4 Mr Messer indicated that the Counter Fraud Services' satisfaction survey had still to be completed and he would ensure that this reflected the Committee's views.

46.8.5 Professor Barbour emphasised that the area of exposure; the transition from separate Trusts to single system working, gave comfort that the transition to single system working would improve the situation.

46.8.6 After some discussion, it was agreed that Mr Matheson should convey the Committee's concerns to CFS and that Mr Billing should be invited to attend the next meeting and speak to this item.

JM

46.9 NHSScotland National Services Scotland ATOS Origin (SEMA) NHSScotland Operations Relocation to New Data Centre Report No. 006/06 – a previously circulated management report from NHSScotland National Services Scotland on the ATOS Origin (SEMA) NHSScotland Operations Relocation to the New Data Centre was received.

46.9.1 Mr Messer indicated that ATOS Origin had transferred most of the services from all the data centres that provided services to NHSScotland to a new purpose built data centre and this audit had been to ascertain whether adequate project management and governance arrangements were in place to control the migration and ensure complete and timely relocation, which would not adversely affect NHSScotland business, as well as ensure that procedures were in place to provide assurance that the integrity of NHSScotland data and the security of its systems and equipment were maintained during the relocation.

46.9.2 The Committee noted that the control objectives had been met and that no control weaknesses in the security of the new data centre and the management of the migration from former data centres had been identified. There was an outstanding issue in the provision of documentation to describe the controls and the procedures to manage the control and segregated NHSScotland networks and the networks of other ATOS Origin customers that used the new data centre but, when procedures were available, a test would be undertaken to verify the controls in place.

46.9.3 The Committee agreed to note the report.

46.10 Patient Exemption Checking 2006/07 Target – a previously circulated letter from the Head of Service at Counter Fraud Services concerning the 2006/07 target for checks on patients who had claimed entitlement to exemption from NHS charges was received.

46.10.1 Mr Messer advised the Committee that the reduction in the volume of checks had been cleared by CFS with Audit Scotland, who had indicated that the reduced volume of checks was still at an acceptable level. In response to a question, it was noted that funding for Counter Fraud Services was top-sliced from Health Board budgets.

46.10.2 The Committee agreed that it would be useful to invite Mr Billing to the next meeting to keep the Committee apprised of the situation.

AP

47. Financial Governance

- 47.1 Stock Valuation Basis of Accounting – a previously circulated report, seeking approval for an improved application of the existing accounting policies for stocks, was received.
- 47.1.2 The Committee noted that this related to proposals to include all appropriate Pharmacy stocks held at ward or departmental level, in the year-end stock balance included in the annual accounts.
- 47.1.3 Ms Hollis advised the Committee that considerable work was being undertaken with senior nurses working within the University Hospitals Division and staff were aware of what things cost. There was a move towards bar codes and it was hoped to provide pricing information by the end of March.
- 47.1.4 In response to a question from Professor Barbour, Mr Martin confirmed that the financial model would be completed the following week.
- 47.1.5 The Committee agreed to note and approve the proposed improvement in practice.
- 47.2 Update on National Shared Services – a previously circulated report, updating the Committee on the progress towards implementation of national shared services in finance and the related work within NHS Lothian, was received.
- 47.2.1 Mr Martin updated the Committee on issues arising from the individual Board responses.
- 47.2.2 Mr Egan congratulated Mr Matheson on the work undertaken in this matter and commented that the risk to the Board should not be under-estimated. The exercise seemed set to produce minimal savings and carried significant risk.
- 47.2.3 Professor Barbour declared an interest in that he was a Non-Executive Member of the NSS Board and indicated that the time elapsed since the start of the exercise was causing difficulties as many Boards had already taken advantage of the single system savings which had been assumed in calculating the benefits of national shared services.
- 47.2.4 It was noted that NHS Lothian continued to be fully supportive of the direction of the travel explicitly set out in the Draft Full Business Case for national shared services and in the achievement of the service quality objectives therein, subject to reassurance on a number of detailed points.
- 47.2.5 The Committee agreed to note the report and receive further updates.

48. External Audit

- 48.1 Audit Risk Analysis and Plan 2006/07 – a previously circulated report from Audit Scotland, detailing the Audit Risk Analysis and Plan for 2006/07, was received.
- 48.1.1 Ms Woolman presented the report and explained that the document was still a draft. Reference was made in the document to the financial statement strategy and this would be circulated separately.
- 48.1.2 In response to a question from Mr Renwick, Ms Woolman confirmed that the document, whilst still draft, was available under the Freedom of Information Act.
- 48.1.3 Mr Matheson emphasised that NHS Lothian was keen to resolve any outstanding issues, particularly around the refinancing of the arrangements with Consort. The NHS Lothian Finance Department would be working closely with Audit Scotland colleagues and Mr Matheson was keen to ensure that any difficulties were resolved.
- 48.1.4 Professor Barbour emphasised NHS Lothian's willingness to take these points on board as a signal of the Executive Team willingness and commitment to address the issues previously highlighted.
- 48.1.5 Mr Egan expressed his disappointment that the references to Staff Governance Standards remained very light.
- 48.1.6 It was noted that the Audit Scotland fee was based on the number of man days and represented an approximate 3% increase on the previous years, taking account of work, risk, etc. It was noted that it would be helpful to have a fee agreed and it was possible that some of the costs of the refinancing work could be shared with Consort.
- 48.1.7 Professor Barbour indicated that NHS Lothian welcomed the stated level of scrutiny.
- 48.1.8 Mr Egan expressed his concern regarding the danger of the PFI being caught up in the May elections and indicated that he would pick up the PFI reference.
- 48.1.9 The Committee agreed to note the report and noted that the fee would be agreed through the Director of Finance by the end of February or early March 2007.
- 48.2 Review of Internal Audit 2006/07 – a previously circulated report was received from Audit Scotland on the Review of Internal Audit 2006/07.
- 48.2.1 Ms Woolman introduced the report and noted the positive conclusion that the Internal Audit Department operated in accordance with NHS Internal Audit Standards and that therefore Audit Scotland could rely on the work of Internal Audit.
- 48.2.2 The Committee agreed to note the report.

- 48.3 2005/06 Overview of the NHS in Scotland – a previously circulated report from Audit Scotland on the Overview of the Financial Performance of the NHS in Scotland 2005/06 was received.
- 48.3.1 Mr Matheson commented that he did not feel that this report reflected NHS Lothian fairly and fully in the case studies and advised that this had been taken up separately.
- 48.3.2 Mr Egan queried references to Agenda for Change and Modernising Medical Careers, both of which had been nationally agreed and imposed criteria.
- 49.3.3 Professor Barbour commented that the way in which such reports were perceived by the public had to be considered and it was important to note that Lothian Health Board's accounts had not been qualified. He did not feel that the report presented a full picture, of an organisation which, whilst coping with the acknowledged additional pressure of a first generation PFI scheme, had again hit its financial targets, achieved the highest level of efficiency savings of any Health Board and had its accounts approved without qualification.
- 49.3.4 Ms Woolman explained that this was a broadly drawn report intended to give an overview of the financial position.
- 49.3.5 The Committee agreed to note the report and the volume of significant progress it demonstrated.

50. General Corporate Governance

- 50.1 Follow-Up of Audit Recommendations – the Committee noted a previously circulated report on the outcome of the follow-up work conducted on outstanding External Audit and Internal Audit recommendations.
- 50.1.1 Mr Payne introduced the report and commented that the findings were very positive. The Chair thanked Mr Payne for the work on the report.
- 50.1.2 Cllr Whyte agreed that this was a useful way to set out the recommendations but expressed some concerns at the tracking back of older recommendations. Mr Payne confirmed that he would be happy to reflect this in future.
- 50.1.3 Mrs Douglas questioned the follow-up process timing and Mr Payne indicated that this reflected the time taken to resolve individual items.
- 50.1.4 Professor Barbour commented that it was heartening to hear Mr Payne's comments. He had highlighted this report to colleagues at the Executive Management Team and had met with Mr Payne and others and asked Mr Payne to keep him fully up-to-date with progress. **AP**
- 50.1.5 It was noted that the relevant CHP and University Hospitals Division sections would be referred to their respective Audit Sub-Committees. Professor Barbour undertook to follow-up the matter of low attendance of CHP General Managers at Audit Sub-Committees meetings. **JJB**

50.1.6 The Committee agreed to note the report.

50.2 Technical Brief – the Committee noted a previously circulated paper summarising the highlights of the Technical Bulletin produced by Audit Scotland in December 2006.

50.2.1 Mr Martin indicated that NHS Lothian would comply with the relevant standards in respect of expenditure on digital hearing aids and Mr Matheson confirmed that he had not anticipated any benefits.

50.2.2 The Committee agreed to note the report.

50.3 Follow-Up of Audit Commission Recommendations – the previously circulated paper, summarising the NHS Lothian position against the strengthening financial governance section of the Audit Commission Review of the NHS Financing Management and Accounting Regime, was received.

50.3.1 The Committee agreed to note this and considered it to be a useful report.

51. Items for Information

51.1 Audit Scotland – "Informed to Care" – the Committee noted the previously circulated Audit Scotland report "Informed to Care" on e-Health governance arrangements within the Scottish Executive Health Department and their subsequent impact for NHS Lothian.

51.1.1 The Committee noted that the Director of eHealth had been in post for just over a year and was making significant contributions.

51.1.2 The Committee agreed to note the report.

51.2 Audit Scotland – "Catering for Patients" – the previously circulated Audit Scotland follow-up report on "Catering for Patients" was received.

52.2.1 The Committee noted that Mr John Jack had been asked to provide clarification on the figures in respect of subsidy level of non-patient catering services.

JJ

52.2.2 The Committee agreed to note the report.

52.3 Audit Scotland – "Planning Ward Nursing – Legacy or Design?" – the Committee noted a previously circulated report from Audit Scotland on "Planning Ward Nursing".

52.3.1 The Committee acknowledged the progress NHS Lothian had made in implementing the recommendations from original Audit Scotland report and

from the Scottish Executive ministerial endorsed Nursing and Midwifery Workload and Workforce Planning Project report 2004 and nationally co-ordinated Nurse Bank Arrangements report in 2005.

52.3.3 It was also noted that action was being taken to achieve a minimum of 22.2% predicted absence allowance built into all nursing and midwifery establishments and that ward managers/team leaders had 7.5 hours per week of protected time for clinical leadership activities.

52.3.4 It was noted that the actions to date and future plans for reducing the reliance on all supplementary staffing, including the achievement and maintenance of a ban on agency nurse use, controls on bank use and the importance to manage the underlying demand and supply pressures.

52.3.5 The Committee also noted the links to the review of the Charge Nurse Project, including plans to implement the collection of nursing quality indicators.

52.3.6 Ms Hollis commented that staff did require to work to budget and establishments and Mr Matheson undertook to pick this up with Mrs Tierney-Moore.

JM

52.4 Article: "Measuring Up – Is Your Audit Committee Effective?" – the Committee noted a previously circulated article from the September 2006 issue of Healthcare Finance, setting out a self-assessment approach that could help assess the effectiveness of NHS Audit Committees.

52.4.1 The Committee agreed that this might be worth covering at a future workshop.

52.4.2 Mrs Douglas commented that it would be useful for members to look at their roles and responsibilities.

53. Frequency of Meetings

53.1 Mr Egan raised the frequency of Audit Committee meetings and the size of the agendas, as well as the timetable for the distribution of papers.

53.2 The Chair undertook to review this.

LJ

54. Date of Next Meeting

54.1 It was noted that the next meeting of the Committee would be held on Monday, 30 April 2007 at 9.00am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee meeting held on 9.00am on Monday, 30 April 2007 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair); Mr R Y Anderson; Mrs T Douglas; Dr A Tierney and.

In Attendance: Mr N Billing (Counter Fraud Services) (For Item 2.4); Mr M Campbell-Smith (Internal Audit Manager); Ms D Carmichael (Associate Director of Finance); Mr E Egan; (Chair, Staff Governance Committee) Mr R Flint (Depute Director – Community and Partnership Development); Ms L Hollis (Associated Director of Finance); Mr J T McCaffery (Director of Human Resources); Dr A K McCallum (Director of Public Health and Health Policy); Mr C Marriott (Associate Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr A Payne (NHS Lothian Corporate Governance and VFM Manager); Mr P Reith (Secretariat Manager); Mr I Robertson (Head of IT Operations and Infrastructure) (for item 5.5); Dr C P Swainson (Medical Director) (for item 8.2); Dr C J Winstanley (Chair, Lothian NHS Board) and Ms G Woolman (External Auditor – Audit Scotland).

Apologies for absence were received from Professor J J Barbour, Mr S G Renwick and Mr S H Smith.

1. Minutes of the Previous Meeting

1.1 The previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 12 February 2007 were approved, subject to the following amendments:-

Minute 45.2.2 – delete the final sentence

2. Matters Arising

2.1 Matters Arising from the Meeting of 12 February 2007 – the Committee noted a previously circulated paper detailing the matters arising from the Audit Committee meeting on 12 February 2007, together with the action taken and the outcomes.

2.1.1 Mr Matheson advised that a final process was needed for minimising the revenue consequences of Business Cases and clarity around revenue exposure was required. This would become a critical issue over the next few months as a number of Business Cases came forward for consideration.

- 2.1.2 Mr Egan emphasised the need for the Audit Committee to give detailed scrutiny to forthcoming Business Cases, given the number of errors previously encountered. A process to alert Committee members of any potential problems was required.
- 2.1.3 Mr Matheson advised the Committee that £350,000 had been set aside for the project management of Business Cases.
- 2.2 Healthcare Governance and Risk Management Committee – the Chair indicated that she was still to discuss this matter with Mr Anderson, Mr Egan and Cllr Whyte, and Mr McCaffery advised that he would be discussing means of informing Non-Executive Board Members of urgent issues, when these were known about, as soon as possible. **LJ/RYA/EE/IW**
- 2.2.1 Mr Egan commented he continued to have to chase management to receive information and had still not been briefed on the reasons for the problems around the figures for fractured neck femur in December.
- 2.2.2 Mr McCaffery advised that a number of these issues would be included in the new MIDAS system and performance management reports would be moving to an exception-reporting basis. The new on-line MIDAS system would be regularly updated and was accessible remotely.
- 2.3 Counter Fraud Services Activity – Mr Payne advised the Committee that Mr Billing would be speaking to the next item.
- 2.4 Counter Fraud Services - the Chair welcomed Mr Neil Billing to the meeting.
- 2.4.1 Mr Billing gave a brief overview of Counter Fraud Services activity and gave examples of current workload.
- 2.4.2 The Committee noted that the Fraud Investigation Unit had been established in 2000 for Family Health Services and had been extended to all the NHS in Scotland in 2003. The new Unit had been caught in the Scottish Executive move of public services out of Edinburgh and had established in Livingston in 2004.
- 2.4.3 Mr Billing discussed Operation Newton, a case involving a local dentist, which was ultimately abandoned when the Crown Office decided that no further action was required. The manager leading that case was no longer with CFS.
- 2.4.4 It was noted that Operation Newton had been delayed in respect of the time taken to agree to proceed with the case and the differences in the burden of proof. This related to the differences in the burden of proof between “the balance of probability” and “beyond reasonable doubt” and had taken significantly longer than normal disciplinary cases.
- 2.4.5 Mr Billing emphasised that the Counter Fraud Services structure had now changed and a “seasoned” investigator now ran all investigations. A plan

would be put forward for each investigation and intimated to the relevant Health Board. The new process should speed up the handling of cases and starting of disciplinary action at an earlier stage was being investigated.

- 2.4.6 Mr Billing commented that the linkages between NHS Lothian and Counter Fraud Services was excellent and he was currently pursuing Memoranda of Understanding with the Finance and Human Resources directorates. Mr Billing emphasised that Counter Fraud Services only took minor investigations to court for publicity because they were trying to get a message across to all staff that fraud against the NHS had a good chance of being discovered. For this reason, some investigations would not be taken forward if Health Boards were unwilling to allow CFS to publicise the results.
- 2.4.7 Mr Billing informed the Committee that Counter Fraud Services were working on a pilot project on health tourism with NHS Lothian as it was vital to ensure that only those with entitlement were admitted to NHS lists. The Scottish Executive was issuing revised guidance and the project was working closely with the Immigration Service. A report on the subject would be produced by the end of May.
- 2.4.8 Mr Billing also advised that the methodology on patient exemption checking had been amended.
- 2.4.9 Mr Egan made reference to Operation Ether which followed from allegations made by a member of staff who had now been off work for up to three years on full pay. He was astonished at the time taken to resolve this investigation and felt that it had discredited both NHS Lothian and Counter Fraud Services.
- 2.4.10 Mr Billing agreed that the Operation Ether had taken far too long. He emphasised the difficulties in proving criminality if custom & practice was involved and advised that Counter Fraud Services was looking at ways to best explain the differences between discipline and criminal proceedings. As a matter of principle, he advised that staff involved in such investigations were strongly advised to attend an interview with Counter Fraud Services as the alternative would be an interview with the Police, who could then arrest suspects if they saw fit.
- 2.4.11 Mr McCaffery emphasised the need to take some time to consider the investigation progress and undertook to get Janice Brown to work with Mr Billing and his colleagues in developing a common approach.
- 2.4.12 Mr Matheson raised the issue of the sharing of best and worst practices and how witnesses could best be supported.
- 2.4.13 Mr Billing advised that the possibility of producing a quarterly report was being examined, along with a regular bulletin.
- 2.4.14 Ms Woolman informed the Committee that Audit Scotland would be carrying out work on patient exemption checking in the near future.

2.4.15 The Chair thanked Mr Billing for his presentation.

3. Audit Sub-Committee Minutes

3.1 University Hospitals Division Audit Sub-Committee – the previously circulated Minutes of the University Hospitals Division Audit Sub-Committee held on 29 March 2007 were adopted.

3.2 Primary Care Audit Sub-Committee – the previously circulated draft Minutes of the Primary Care Audit Sub-Committee meeting held on 11 January 2007 were adopted.

3.2.1 Mrs Douglas commented that in respect of the single shared assessment processes, the 1 April 2004 deadline had been unrealistic. In respect of the CHP requirement for effective engagement with the Audit Committee, Mrs Douglas indicated that an integrated approach with CHP General Managers was being followed.

3.2.2 Mr Egan commented that he was on record as having said that single shared assessment was not working outside Edinburgh.

3.2.3 Mr McCaffery undertook to check out why a General Practitioner, who was in breach of contract in respect of patient verification, still had 28 days to comply with the requirements. He emphasised that NHS Lothian was fully compliant with the Staff Governance procedures but that regulation allowed the General Practitioner a 28-day compliance period. **JTM**

3.2.4 Mr McCaffery also undertook to raise the issue of shared assessment with the Primary & Community Partnership Committee. **JTM**

4. Follow-Up of Audit Recommendations

4.1 A previously circulated summary of the follow-up work conducted on outstanding internal audits and Internal Audit recommendations was received.

4.2 Mr Payne introduced the report and advised the Committee that the Primary Care Organisation recommendations had been re-allocated to the appropriate CHP/CHCP manager in conjunction with Mr Duncanson. He indicated that he would be continuing to pursue the older recommendations in the report.

4.3 Mr Matheson commented that he would like to see more sophistication in the way information was displayed in the partially implemented column, as this reflected recommendations between 1 and 99% implemented.

4.4 Mr Egan concurred, and emphasised that it was important to differentiate between partially implemented recommendations and those that could not be implemented because of a particular reason.

- 4.5 It was agreed that the Chair and Mr Matheson would meet with Mr Payne to take this forward. LJ/JM/AP

5. Internal Audit Reports

- 5.1 Lothian and Borders Management Audit Services – Lothian NHS Board 2006/07 Audit Plan Progress – the Committee noted a previously circulated report advising of progress on the 2006/07 Audit Plan delivered since the last Audit Committee meeting, the status of Audit topics from the original 2006/07 Audit Plan which were subsequently replaced with higher priority projects and proposals for dealing with 2006/07 Internal Audit reports, which had not been concluded in time for this agenda.

- 5.1.1 Mr Messer advised the Committee that significant progress had been made as the circulated paper demonstrated, he also suggested that a further meeting might be held in late May/early June to close off the remaining reports if these were available.

- 5.1.2 The Committee agreed to note the current position regarding the 2006/07 Audit Plan delivery and the status of audit topics not taken forward during 2006/07 with Audit Committee approval, and approved the proposed approach to obtaining Audit Committee scrutiny of remaining 2006/07 Audit reports.

- 5.2 Lothian and Borders Management Audit Services – Report Executive Summaries (General Ledger; Performance Reporting; Management of Leave – Medical Staff; Strategy Development; Waiting Times (A&E) Data Collection) – the Committee noted a previously circulated report giving details of the satisfactory overall ratings in respect of audits of the general ledger, performance reporting, management of leave – medical staff, strategy development and waiting times (Accident and Emergency) – data collection.

- 5.2.1 The Chair thanked the Audit team for the work they had carried out on these audits.

- 5.2.2 Mr Egan questioned how problems were still being encountered in some areas such as catering expenditure if the general ledger audit was satisfactory.

- 5.2.3 Mr Matheson explained that the scope of the general ledger review was concerned with the efficient and complete capture of information from the various feeder systems and processes onto the ledger, and how these entries were controlled and reviewed. Any other problems identified in separate audits pertained to the particular topic or system under review. He confirmed there were some instances of variable pricing across Lothian and also wastage rates and it was agreed that Mr McCaffery would meet with Mr Egan to find out how best to identify such areas. JTM/EE

5.2.4 Mr Anderson requested sight of the full report in respect of accident and emergency waiting times and questioned the performance of the hip fracture waiting times. Mr Messer advised that the audit had not sampled the hip fracture process and would not therefore provide any information on this subject.

5.2.5 It was agreed that this issue should be picked up at the special meeting.

IM

5.2.6 Mr Egan questioned the management of leave for medical staff report and asked how it could be satisfactory when the reason for the poor performance in December on fracture of neck of femur had been caused by sessions being cancelled because of annual leave being taken by medical staff. It was well known that activity went down at the time of school and Christmas holidays. There was an absence of planning and a long way to go before the system was working properly. IM advised that audit testing had confirmed extensive adherence to the six week rule particularly regarding main holidays and study leave periods.

5.2.7 Mr McCaffery commented that the situation had significantly improved and was being looked at through a Kaizen. The matter was also being taken up in discussions on the Consultant contract and further changes should be showing effect.

5.2.8 The Committee agreed to adopt the report.

5.3 Lothian and Borders Management Audit Services – Decontamination Self-Assessment – a previously circulated report on the decontamination process was received.

5.3.1 Mr Matheson advised the Committee that it had been brought to NHS Lothian's attention that there had been weaknesses.

5.3.2 Mr McCaffery commented that there had been substantial movements in 2006 but that there were still variables between the figures in primary care and University Hospitals Division. Mrs Douglas undertook to pick this up at the Primary Care Audit Sub-Committee.

TD

5.3.3 Mr Messer indicated that there were no immediate plans for follow-up in this report but he would examine the position again.

5.3.4 Ms Woolman welcomed the self-assessment approach adopted for the Decontamination review and judged it to be very effective.

5.3.5 The Committee noted that 47% of categories were rated as currently being satisfactory with two categories (6%) being rated at the best practice level.

5.3.6 The Committee agreed to note the report.

5.4 Lothian and Borders Management Audit Services – Infection Control Standards Update – the Committee noted a previously circulated report on

the Infection Control Standards Update showing that NHS Lothian was very close to full achievement.

- 5.4.1 Mr Egan questioned how decontamination, sitting at 47% of categories being rated as satisfactory, fitted in with Infection Control Standards. Mr Messer advised that the infection control audit had focused on the content of the QIS infection control standards which were focused on the management of infection control and not the details of the decontamination process.
- 5.4.2 The Committee agreed to note the report.
- 5.5 Lothian and Borders Management Audit Services – Network Penetration Testing – the Chair welcomed Mr Robertson to the meeting.
- 5.5.1 A previously circulated report detailing the outcome of two specialist technical IT security reviews was noted.
- 5.5.2 Mr Robertson advised the Committee that he had worked with Internal Audit to push this forward, particularly as IT support at Deaconess House had previously been outsourced. The increase in the number of wireless networks raised significant security issues and he welcomed the positive comments about the eHealth Team.
- 5.5.3 Mr Robertson indicated that of the three critical issues (the absence of video conferencing password and firewall protection, password control over a key admin user laptop and issues related to a proxy server) had all been resolved. Of the remaining recommendations, some were feasible and some were being further considered as IT security specialists reviewed the situation wearing a "purist" hat and therefore the practicality and cost/benefit of some of the recommendations needed to be considered.
- 5.5.4 Mr Robertson advised that he was working on an action plan, which would come back to the Committee.
- 5.5.5 The Chair thanked Mr Robertson and the Committee agreed to note the summary findings recommendations and actions arising from these audits.
- 5.6 Lothian and Borders Management Audit Services – Promoting Attendance – a previously circulated report on the arrangements for recording and monitoring sickness absence was received.
- 5.6.1 The Committee noted that absence levels had shown significant reductions and Mr McCaffery advised that the Occupational Health Service was being enlarged and staff were starting to be dismissed for poor attendance. A "Buddying" system was being examined to help poor attenders and efforts were being made to recognise good attendance.
- 5.6.2 Mr Egan commented that neither the Lothian Partnership Forum nor the Staff Governance Committee had been involved in this audit and he was of the view that they should have been. He felt this was unacceptable and emphasised the need for full partnership working on such issues.

- 5.6.3 Mr McCaffery apologised unreservedly for this omission, explaining that he had been under the impression that Mr Egan had been involved and confirmed that the Lothian Partnership Forum should have been consulted.
- 5.6.4 Mr Egan commented that all staff absent from work should have a return to work interview, and Mr McCaffery confirmed that managers should be aware that return to work interviews were required. He confirmed that the Return to Work Policy would be going to the Staff Governance Committee.
- 5.6.5 Dr Tierney commented that low levels in some areas of return to work of clinical staff had been observed and this had been discussed at the University Hospitals Division's Audit Sub-Committee.
- 5.6.6 Mr McCaffery confirmed that training and HR support was being given to managers to help address the issue. He confirmed that the new system would provide information to managers so that they could pick up absences at an earlier stage and address the problem.
- 5.6.7 Ms Hollis confirmed that it was intended to roll out the system over the forthcoming year.
- 5.6.8 Mr McCaffery advised the Committee that the Staff Governance Committee received quarterly updates on the position.
- 5.6.9 The Committee agreed to note the report.
- 5.7 Lothian and Borders Management Audit Services – Team Brief – a previously circulated report on a review of the team brief system was received.
- 5.7.1 Mr McCaffery gave a brief outline on how team briefing worked and explained that it was intended that all staff should receive training on team briefing.
- 5.7.2 The Chair commented on the very low sample size for the review and Mr McCaffery advised that it was intended that future focus groups should involve 400-500 staff. Mr Messer noted that the small sample had however confirmed management view that although the Team Brief was widely circulated the team briefing process still required improvement.
- 5.7.3 Mr Anderson referred to the need to have a wider ownership of the financial position and suggested that consideration needed to be given as to how this could be taken up.
- 5.7.4 Mr Matheson commented that a note had gone out to every member of staff explaining the financial position emphasising the problems and outlining the action taken both in-year and in respect of 2007/08.

- 5.7.5 Mr McCaffery emphasised that all staff should receive staff briefings and consideration was being given to the possibility of sign-off sheets to confirm that team briefings had been delivered locally by senior managers.
- 5.7.6 The Committee noted the report and agreed that it would be useful to receive feedback from the workshops. **JTM**
- 5.8 Lothian and Borders Management Audit Services – Audit Scotland/QIS Follow-Up (LPCO 2006-05 / LUHD 2006-02, February 2007) – the Committee noted a previously circulated report that combined the findings of two separate Internal Audit Reviews recently carried out on this subject in the Primary Care Organisation and University Hospitals Division of NHS Lothian.
- 5.8.1 The Chair advised that the Healthcare Governance & Risk Management Committee would consider this report.
- 5.8.2 Mr Egan queried the lack of clarity about responsibility as this should be in the key results areas.
- 5.8.3 Mr Messer indicated that management had acknowledged the gap and this was being addressed.
- 5.8.4 Mr McCaffery emphasised that job descriptions should be sufficiently clear to show who was responsible and it should be possible to identify this information for the report.
- 5.8.5 It was agreed that the report should be resubmitted to the next meeting of the Audit Committee with details of the specific responsibilities. **IM/JTM**
- 5.9 Lothian and Borders Management Audit Services – 2007/08 Operational Audit Plan – a previously circulated report outlining the draft of the Operational Internal Audit Plan for 2007/2008 was received.
- 5.9.1 Mr Messer spoke to the report and advised the Committee that the draft of the Operational Internal Audit Plan had been approved by the Executive Management Team.
- 5.9.2 Mrs Hollis commented that it would be worthwhile including an anonymised reference to one noted investigation and Ms Woolman advised that she could see a number of areas where external audit was also doing work, which she undertook to share with Mr Messer. **GW**
- 5.9.3 The Committee agreed the Operational Internal Audit Plan for 2007/2008.
- 6. National Services**

6.1 National Services Scotland – Internal Audit Reports – the Committee received a previously circulated report advising of the outcome of five National Services Scotland Internal Audit reports.

6.2 The Chair raised the issue of the BACS payment files and their security and Mr Matheson undertook to pick up this specific point with National Services Scotland.

JM

6.3 The Committee agreed to note the report.

7. External Audit

7.1 Code of Audit Practice – a previously circulated Code of Audit Practice, produced by Audit Scotland, was received.

7.2 Ms Woolman advised the Committee that this was an updated Code from one issued six years previously.

7.3 The Committee agreed to note the Code of Audit Practice.

8. General Corporate Governance

8.1 Technical Brief – the Committee noted a previously circulated report containing relevant highlights of the Technical Bulletin produced by Audit Scotland' Technical Services Unit.

8.1.1 Mr Martin summarised the report and drew the Committee's attention to the NHS Cost Recovery Scheme advising that, based on the estimated share of revenue attributable to NHS Lothian over the initial two month period (£0.3 million), there were no plans to include this in any year-end income accrual at 31 March 2007 in the annual accounts.

8.1.2 Mr Egan advised the Committee that staff off sick were being encouraged to claim under the Road Accident Recovery Scheme.

8.1.3 The Committee noted that NHS Circular HDL(2007)14 contained new guidance for Health Boards introducing or substantially revising arrangements for levying parking charges. Work was ongoing to identify any potential problem arising from this HDL and Mr Matheson indicated that a response was still awaited from the Scottish Executive on a number of related issues. Mr McCaffery undertook to follow this up again with the Scottish Executive.

JTM

8.1.4 Mr McCaffery advised that he would be discussing the HDL with the Lothian Partnership Forum the following week. Dr Tierney queried the work still to be done to meet all the recommendations in the ward nursing follow-up report and Ms Woolman advised that she would be taking this forward and would report back to the Committee.

GW

- 8.2 NHS Lothian Corporate Risk Register – the Committee noted the previously circulated NHS Lothian Corporate Risk Register and the Chair welcomed Dr Swainson to the meeting.
- 8.2.1 Dr Swainson advised the Committee that discussions with the Audit Committee were held at least annually and the circulated Risk Register had been updated on 14 March 2007.
- 8.2.2 Dr Swainson gave the background to the creation of the Register and indicated that the Australia/New Zealand risk matrix had been applied. The Risk Register was reviewed by Executive Directors regularly, as well as major Committees and the Chief Executive reviewed it every month.
- 8.2.3 There was still some way to go on the use of the Register and templates would be issued to doctors on how key risks would be handled.
- 8.2.4 Internal Audit had facilitated a self-assessment review of the risk management process and this report would be coming to the Audit Committee.
- 8.2.5 It was noted that in an NHS Scotland report on the performance of Health Boards, NHS Lothian had come out well although there was still room for improvement. The NHS QIS report would be submitted to the relevant Committees following discussions with NHS QIS.
- 8.2.6 The Chair questioned when the action plan would be completed and Dr Swainson advised the need for such a process was understood and that work was ongoing on the development of a process to capture actions.
- 8.2.7 The Chair noted that infection control programmes were not yet included in the Risk Registers apart from in a general statement. She felt that it should be made clear to Board members what was happening and how the Risk Register would be developed.
- 8.2.8 Dr Swainson emphasised that a system to identify and assess new risks was required and the Chair suggested that an annual workshop involving Non-Executive Board members, as well as Executive Board members and senior managers should be held.
- 8.2.9 Mr Matheson reminded the Committee that there were linkages between Board Committees through the sharing of Minutes.
- 8.2.10 Mrs Douglas emphasised the need for references to be made to the CHPs and that there could be a number of risks to the organisation arising from this area.
- 8.2.11 It was agreed that it would be timely to have a workshop sooner rather than later and Dr Swainson undertook to take this forward.

CPS

8.3 National Shared Services – a previously circulated report updating members on the progress toward implementation of national shared services in Finance, and the related work within NHS Lothian, was received.

8.3.1 Mr Martin reminded the Committee that the report given in February had recognised that many savings would be qualitative rather than quantitative and it appeared likely that delivery of the core components of the shared services model would be incorporated into overall service delivery targets for Boards with precisely tracked benefits counting towards the Efficient Government targets for shared services.

8.3.2 It was noted that this would lead to more specific implementation targets for the financial services organisations within NHS Lothian, in delivery of the required core components, otherwise known as "foundation activities".

8.3.3 The Committee noted that the Project Director was now estimating the delivery of a revised Final Business Case based on the revised approach at October 2008.

8.3.4 The Chair emphasised the need to push for clarity on shared services such as Payroll because of the unsettling nature of the discussions and the difficulty in recruiting and retaining staff in such areas.

8.3.5 Mr Egan congratulated Mr Matheson on the approach taken by NHS Lothian and confirmed that Payroll was a major issue.

Dr Tierney left the meeting.

8.3.6 Mr Matheson emphasised that one of the difficulties with the project had been that it had started with a projected savings target which was never deliverable.

8.3.7 The Committee agreed to note the report and to receive further updates as appropriate.

8.4 Write-Off of Bad Debt – a previously circulated report seeking approval to write-off debts over six years old was received.

8.4.1 The Committee noted that the three debts all of which related to private patients and would result in no additional charge to the 2006/07 financial position.

8.4.2 Ms Carmichael outlined the new procedures brought in to deal with private patients and the Chair welcomed these new policies.

8.4.3 Ms Carmichael emphasised that because of the assimilation of different systems into single system working, there could be no absolute certainty that further such debts might not exist in the system but that this was being investigated and being dealt with.

- 8.4.4 Mr Egan commented that responsibility for private patients should be incorporated into the Consultant's job plan.
- 8.4.5 Mrs Douglas suggested this would be an opportunity to discuss the continuing treatment of such private patients and Ms Carmichael undertook to take this back to the Medical Staff Committee. **DC**
- 8.4.6 The Committee agreed to approve the request to the Scottish Executive Health Department to write off the circulated debts over £5,000.
- 8.5 Accounting Policies – the Committee noted a previously circulated report outlining amended accounting policies in line with the manual of accounts issued by the Scottish Executive.
- 8.5.1 Mr Martin advised that these accounting policies would be included in the 2006/07 annual accounts.
- 8.5.2 Mr Egan raised the issue of the shared programme of research trials with Wyeth Pharmaceuticals and the way in which accounting policies would reflect this, and Mr Martin undertook to take this up with Dr Swainson. **RM/CPS**

9. Items for Information

- 9.1 Audit Scotland – "Programme of Performance Audits 2007/08" – the Committee noted a previously circulated programme of performance audits from Audit Scotland from 2007/08.
- 9.1.1 Mr Matheson commented that the previous extension of the overview performance to include performance as well as finance had been welcomed and queried why it had returned to purely financial performance.
- 9.1.2 Ms Woolman advised that whilst a financial report could be pulled together on an annual basis, it was more difficult to do so on performance and it was intended to review the system to see whether the inclusion of performance had added value.
- 9.1.3 Dr Winstanley commented that the inclusion of performance had been enormously valuable and expressed the view that it should continue. It was agreed that Mr Matheson should write to Audit Scotland putting these views. **JM**

10. Linkages with Other Board Committees

- 10.1 Finance and Performance Review Committee – the Committee noted the previously circulated Minutes of the Finance & Performance Review Committee meeting held on 14 February 2007.
- 10.2 Healthcare Governance and Risk Management Committee – the Committee noted the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on 20 February 2007.

10.3 Staff Governance Committee – the Committee noted the previously circulated Minutes of the Staff Governance Committee meeting held on 31 January 2007.

10.3.1 Mr Egan drew the Committee's attention to the transfer of staff to the Private Finance Initiative and commented that the private partners did not share the same risk as the NHS.

11. Month 12 Financial Position

11.1 Mr Matheson reported that the month 12 financial position would show an underspend of £4.3 million, which included the successful refinancing negotiations with Consort and he commended to the Committee the contribution of Mr Anderson and Mr Egan in these negotiations.

12. Regularity of Meetings and Business Going to Committees and Sub-Committees

12.1 The Chair advised that it was hoped to hold an additional meeting of the Audit Committee in May and consideration could be given to the frequency of meetings and the business being considered at Audit Sub-Committees and the Committee itself.

12.2 The Chair thanked the Committee members for their patience and the meeting closed at 12.25pm.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 28 May 2007 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair); Mr R Y Anderson and Mrs T Douglas.

In Attendance: Mr G Curley (Head of Estates, NHS Lothian); Mr E Egan (Chair, Staff Governance Committee)(For Minute 16);Ms S Gibbs (Clinical Governance Manager); Ms L Hollis (Associate Director of Finance); Mr J Jack (Director of Facilities); Dr A K McCallum (Director of Public Health and Health Policy) (For Item 13.8); Mr C Marriott (Associate Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr A Payne (NHS Lothian Corporate Governance and VFM Manager); Mr P Reith (Secretariat Manager); Ms H Russell (External Auditor – Audit Scotland); Dr C J Winstanley (For Minute 16) and Ms G Woolman (External Auditor – Audit Scotland).

Apologies for absence were received from Professor J J Barbour, Mr J T McCaffery, Mr S G Renwick, Mr S H Smith, Dr A Tierney and Cllr I Whyte.

13. Internal Audit Reports

- 13.1 2006/07 Audit Plan Progress – the Committee noted a previously circulated paper advising of the 2006/07 Audit Plan delivery progress since the last Audit Committee meeting.
 - 13.1.1 Mr Messer briefly outlined the content of the report and explained that an annual report would be produced for the June meeting.
- 13.2 Report Executive Summaries – May 2007 (Reports with Satisfactory Rating) – a previously circulated report containing Executive Summaries of reports with an overall satisfactory opinion, namely "partnership working" and "violence and aggression". All aspects of these reviews had been assessed as satisfactory, with the exception of the issue of effective dissemination of policy within the violence and aggression review, which was awarded a "requires improvement" rating.
 - 13.2.1 Mr Messer introduced the report and indicated that the partnership working audit had been in respect of samples from Mental Health and ENT.
 - 13.2.2 In response to a question from Ms Woolman, Mr Messer advised that partnership working included both internal and external partners and had involved both NHS Lothian and local authorities. Mr Messer undertook to

provide Ms Woolman with details of the timescales of the new violence and aggression policy and responses.

IM

13.3 Counter Fraud Services – Single System Functions – May 2007

13.3.1 A previously circulated report providing an update of all referrals to Counter Fraud services concerning single system functions, which had arisen during 2006/07 and 2007/08 to date, was received.

13.3.2 Mr Messer confirmed, in response to a question from Ms Woolman, that the Audit Committee itself became aware of such issues at the Division or CHPs/CHCP through the Minutes of the Sub-Committees or specific reports.

13.3.3 Members raised the issue of recruitment in respect of an instance when an NHS Lothian employee was convicted of defrauding their previous employer and management had only latterly been advised of the conviction.

13.3.4 It was agreed to note the report and request a report from the Director of Human Resources on what controls were within the recruitment process to detect applicants with a criminal record.

JTM

13.4 Energy Management – NHS Lothian 2006-51 April 2007 – a previously circulated report with a “very good” overall evaluation detailing the outcome of Audit work focused on assessing NHS Lothian's arrangements was received.

13.4.1 Mr Curley introduced the paper and indicated that NHS Lothian was facing additional financial pressures in the region of £1.5 million from energy and water costs in 2007/08. Therefore it was essential that effective management protocols and processes were in place.

13.4.2 Mr Jack advised that NHS Lothian was challenging National Services Scotland (NSS) in respect of the point at which it became advantageous to break a national contract. Given the recent fluctuations in the price of energy, it was becoming advantageous to change energy suppliers more regularly.

13.4.3 Ms Woolman questioned how much of the financial savings from energy costs had been achieved due to a reduction in the size of the NHS Lothian estate, and Mr Curley confirmed that the size of the estate had remained substantially the same and the savings were due to reduced energy consumption.

13.4.4 Mr Anderson raised the issue of ISO 1401 and commented that it seemed to be taking some time to roll out to other sites.

13.4.5 Mr Jack advised that he was able to provide reassurance that there would be local stakeholder involvement. ISO 1401 was not just an estates function and would take 5 or 6 years to roll out over the whole organisation. NHS Lothian would be the third largest company in the United Kingdom to have done so if it succeeded.

- 13.4.6 Mr Curley commented that NHS Lothian was going for ISO 9002 in the interim and had been working with the Carbon Trust for the past 18 months looking at renewables and particularly in the use of boreholes. The possibility of wind turbines had been examined and attempts were being made to engage with other NHS colleagues. Mr Jack emphasised that this was at the very early stages and NHS Lothian was leading the way.
- 13.4.7 Mr Matheson commented that Audit Scotland might have a role in the sharing of best practice as such an exercise could result in potential benefits for the rest of Scotland.
- 13.4.8 Mr Curley advised the Committee that Consort was working with the Board in relation to increasing the efficiency of their plant, particularly the Combined Heat and Power (CHP) Unit with potential for significant savings. Not only was this good public relations for Consort, but could lead to £550,000 per annum benefit to NHS Lothian. Work already completed relating to rolling energy into the Project Agreement had delivered £550K benefit to Lothian, albeit this was due to recovering VAT.
- 13.4.9 Ms Woolman advised that Audit Scotland would be highlighting such initiatives and it was very helpful to have Internal Audit involved proactively in such cases.
- 13.4.10 The Chair commented that there were some issues with the energy efficiency figures reported in the national environment report, particularly in relation to the accuracy of other NHS Boards' returns.
- 13.4.11 Mrs Douglas commented on the benefit of the process of audit highlighting not only the benefits of audit itself but the benefits of participating in the audit process.
- 13.4.12 The Chair thanked Mr Jack and Mr Curley for the detailed report on energy management and it was agreed to note the report.
- 13.5 Risk Management Self-Assessment – LHB 2005-08 – February 2007 – the Committee noted a previously circulated report on the repeat of the self-assessment exercise to ascertain the current position regarding single system risk management controls.
- 13.5.1 The Chair welcomed Ms Gibbs to the meeting.
- 13.5.2 Ms Gibbs reported that risk management had moved on quite considerably with both the Risk Register and risk management agenda being taken forward. The main gap remaining was risk management in corporate services and discussions were required on how this could be taken forward whilst avoiding a large bureaucracy.
- 13.5.3 Ms Gibbs commented that communications to the Board had improved but there was still further room for improvement. The Healthcare Governance & Risk Management Committee in June would review the process and it was

hoped to produce draft policies within one month and operational procedures within two months after that. The Committee noted that there had been a gap with the Risk Manager post from December to the end of April but the post was now filled.

13.5.4 Mr Anderson commented that it would be helpful to know how risk management helped managers do their work better and suggested that this could be covered at the next risk management workshop.

CPS

13.5.5 The Committee agreed to note the report.

13.6 Appraisals and PDPs – NHSL 2006-11 – April 2007 – a previously circulated report with a “satisfactory progress” overall evaluation reviewing appraisals and Personal Development Plan arrangements for 16 teams selected at random was received.

13.6.1 Mr Messer commented that this had been a large exercise and had demonstrated that, in eleven of the areas tested, 100% completion of appraisal had been noted whilst in other areas most, or all staff tested had been appraised. Testing results for PDP completion were slightly lower with 9 out of 10 in 16 areas showing 100% completion, while two other areas had completed appraisals for more than half of the staff tested.

13.6.2 Mr Messer confirmed that the sample had included staff in CHPs, the University Hospital Division and single system.

13.6.3 Mr Matheson commented that the report showed good progress but there were still some unacceptable areas and further significant progress should be forthcoming. The Committee noted that the process did help staff and agreed that Mr McCaffery should be invited to give a further update to the August meeting.

JTM

13.6.4 Ms Woolman commented that the conduct of staff appraisals and Personal Development Plans should be included in senior manager objectives. Mr Matheson confirmed that the Staff Governance Committee had a lead role in this matter.

13.6.5 The Committee agreed to note the report.

13.7 Vehicle Safety and Maintenance Checks – NHSL 2006-39 – April 2007 – the previously circulated report with a “requires improvement” overall evaluation on the review of vehicle safety and maintenance checks was received.

13.7.1 Mr Jack advised the Committee that the detailed development of the Transport Policy had been somewhat sidelined by the Green Travel Policy.

13.7.2 It was noted that whilst most managers indicated that vehicle safety checks were carried out, few kept any evidence to record these checks.

- 13.7.3 Mr Jack confirmed that NHS Lothian had over 500 vehicles including pool cars, of which 30-40 were commercial vehicles.
- 13.7.4 In response to a question from Mr Anderson, Mr Jack confirmed that a bespoke computer system was in use for monitoring the vehicles and this was currently under review.
- 13.7.5 Mrs Douglas questioned whether staff were expected to check vehicles before using them and Mr Jack confirmed that it was expected that the driver of the vehicle would ensure that basic checks were carried out. It was a legal requirement for any driver to ensure that the vehicle they were driving was safe to drive and, if staff did not know what to do, then NHS Lothian would train them. It was noted that the policy would also impact on staff claim travel expenses, who would be expected to demonstrate that they had appropriate insurance, etc.
- 13.7.6 The Committee agreed to note the report.
- 13.8 Emergency Planning –2996-06 – March 2007 – the previously circulated report with a “requires improvement” overall evaluation on the adequacy of NHS Lothian's Emergency Planning arrangements was received.
- 13.8.1 The Chair welcomed Dr McCallum to the meeting.
- 13.8.2 Dr McCallum briefly introduced the report and offered to answer detailed questions. The Chair questioned the membership of the Emergency Planning Strategic Planning Advisory Group (EPSAG) and Dr McCallum outlined the membership explaining that there was both local and regional membership and all CHPs had been invited and received presentations. There was currently an issue with CHPs over competing priorities, which made it difficult for them to provide representatives to all the various bodies.
- 13.8.3 Mr Matheson commented that this was a common theme of the demand on CHPs/CHCP management time and suggested that they needed to have a look at this to see if a representative could attend and then feed back to the CHPs/CHCP Forum.
- 13.8.4 Ms Hollis commented that the CHPs/CHCP now had a performance management forum every two weeks and this might be a suitable forum for reports to be taken.
- 13.8.5 It was noted that CHPs were now coming to Healthcare Governance and Risk Management Committee meetings and a collaborative sub-group had been established to ensure collective representation.
- 13.8.6 It was agreed that Ms Hollis would pick up the possibility of using the performance management forum to receive collective reports.
- 13.8.7 Dr McCallum indicated that an area of concern was the identification of dedicated resources and proposals would be brought forward for an emergency planning budget for the Mid-Year Review.

LH

13.8.8 Mr Matheson undertook to discuss this matter with Dr McCallum and report back to the next meeting. **JM/AKM**

13.9 Procurement – McClelland Recommendations – a previously circulated report giving a summary of the 2007/08 actions for NHS Lothian procurement function following a review by national procurement against the recommendations of the McClelland report "Review of Public Procurement in Scotland 2006" was received.

13.9.1 Ms Hollis advised the Committee that a Procurement Strategy was in place for the whole of NHS Lothian with both a Monitoring Board and a Quality Board. It was hoped to have staff in place by the summer 2007 and efforts were being made to introduce more "e-procedures".

13.9.2 Mr Matheson commented that the NSS questionnaire identified Lothian as mostly adequate with Glasgow tended to score higher. An action plan was needed to move performance forward in terms of the McClelland report and such an action plan would be submitted to the Audit Committee in August. **LH**

13.9.3 Mr Anderson commented that a briefing on national NSS contracts would be welcomed, together with an explanation of the Data Deficit Strategy.

13.9.4 Ms Hollis undertook to provide a briefing to the Audit Committee. **LH**

13.9.5 The Committee agreed to note the report.

14. National Services

14.1 2006/07 Service Audit – Practitioner Services – a previously circulated Internal Control report and Service Audit report for 1006/07 for Practitioner services was received.

14.1.1 Mr Matheson commented that there still four outstanding risk areas highlighted in the report which he would be picking up with the Director of Finance of National Services Scotland. **JM**

14.1.2 Ms Woolman commented she was aware that there had been under-payment for dental services and Mr Matheson undertook to pick this up and ensure that there was evidence of payment verification when the audit was conducted. **JM**

14.1.3 The Committee agreed to accept the report.

15. General Corporate Governance

15.1 Pensions Accounting – a previously circulated report summarising the dimensions and a number of issues relating to NHS Lothian's account for pension costs and liabilities was received.

- 15.1.1 Mr Martin spoke to the report outlining action being taken to ensure consistency of accounting and payment verification in respect of pensions and confirmed that all actions identified were being picked up.
- 15.1.2 Mr Messer commented that a traditional audit of pensions processing had not been possible because of the very late submission of data from the national body and this was being discussed by the technical accounting group.
- 15.1.3 Mr Marriott commented that the lack of information made the mid-year review difficult.
- 15.1.4 It was agreed that Mr Martin should provide a further update to the next meeting of the Audit Committee.

RM

The Committee agreed to note the report.

16. Committee Structure

- 16.1 Dr Winstanley and Mr Egan arrived at the meeting.
- 16.2 Mr Matheson advised the Committee that Dr Winstanley had been involved in discussions on the Board's Committee structure and changes were being proposed.
- 16.3 Dr Winstanley advised the Committee that he was proposing that the main Audit Committee remit should be changed to give it a strategic role and that there should be a single Audit Operational Sub-Committee to cover the operational reports. The Chairs of the Staff Governance Committee and the Healthcare Governance & Risk Management Committee would sit on the Strategic Audit Committee, which would be chaired by Ms Jamie, with Mrs Douglas chairing the Operational Sub-Committee.

17. Annual Accounts Process

- 17.1 Mr Matheson advised the Committee that the annual accounts were progressing according to timescale and regular contact had been maintained with the External Auditors. The annual accounts would be presented to the Audit Committee on 25 June, with the Audit Committee's recommendations going to the Board on 27 June.
- 17.2 Ms Woolman commented that NHS Lothian was a very large and complex organisation and that the relationships with the External Auditor were working well.

18. Date of Next Meeting

- 18.1 It was noted that the next meeting of the Audit Committee would be held on Monday 25 June 2007 at 9.00am in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.
- 18.2 The meeting closed at 10.40am.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 25 June 2007 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair); Mr R Y Anderson; Mrs T Douglas; Mr S G Renwick; Dr A Tierney and Cllr I Whyte.

In Attendance: Ms D Carmichael (Associate Director of Finance); Ms L Hollis (Associate Director of Finance); Mr C Marriott (Associate Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr D Miller (General Manager – Primary Care Contracts) (For Items 23.2 and 23.3); Mr A Payne (NHS Lothian Corporate Governance and PFV Manager); Mr P Reith (Secretariat Manager); Ms H Russell (External Auditor – Audit Scotland); Dr C J Winstanley (Chair, Lothian NHS Board) and Ms G Woolman (External Auditor – Audit Scotland).

Apologies for absence were received from Professor J J Barbour and Mr S H Smith.

19. Minutes of the Previous Meetings

- 19.1 Minutes of the Previous Meeting held on 30 April 2007 – the previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 30 April 2007 were approved.
- 19.2 Minutes of the Previous Meeting held on 28 May 2007 – the previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 28 May 2007 were approved.

20. Matters Arising

- 20.1 Matters Arising from the Meeting of 30 April 2007 – the Committee noted a previously circulated paper detailing the Matters Arising from the Audit Committee meeting held on 30 April 2007, together with the action taken and the outcomes.
- 20.1.1 Mr Payne advised that the Matters Arising from the Audit Committee held on 28 May 2007 would be considered at the August meeting.
- 20.1.2 The Committee agreed to note the action taken in respect of the Matters Arising.

- 20.2 Matters Arising from the Meeting of 12 February 2007: Memo from the Director of Facilities – a previously circulated letter from the Director of Facilities advising that a number of issues had been raised nationally with Audit Scotland regarding the validity of the audit report indicating that St John's patient catering and the Western General Hospital patient catering were cross-subsidising non-patient catering by £300,000 and £430,000 respectively. Audit Scotland was revisiting the table because there were some errors as the patient/non-patient cross-subsidy in value terms was something of an educated judgement by the Catering Manager. Unless there were separate production kitchens for staff and patient meals, the apportionment between patients and non-patient catering was subjective.
- 20.2.1 Ms Woolman indicated that Audit Scotland would be wrapping up the loose ends on this and it would be for Boards to determine how they wished the division to be implemented.
- 20.2.2 The Committee agreed to accept the report.

21. Audit Sub-Committee Minutes

- 21.1 University Hospitals Division Audit Sub-Committee – the previously circulated Minutes of the University Hospitals Division Audit Sub-Committee meeting held on 5 June 2007 were received.
- 21.1.1 Mr Renwick spoke to the report and drew the Committee's attention to the issue of minimum levels of capitalisation in respect of medical equipment and the need to ensure that medical equipment that was below the level of capitalisation was properly captured in the system of controls for asset management. Mr Marriott indicated that a significant amount of work had been undertaken on the Asset Register and the system would be as robust as possible.
- 21.1.2 The Committee agreed to adopt the Minutes.
- 21.2 Primary and Community Audit Sub-Committee – Mrs Douglas spoke to the previously circulated Minutes of the Primary and Community Audit Sub-Committee meeting held on 24 May 2007. Mrs Douglas advised that she had attended the Counter Fraud Services roadshow, which she had found very useful and she commended the amount of work put into the roadshow and emphasised NHS Lothian's good relationship with Counter Fraud Services. It was noted the issue of CHP representation would be picked up later on in the agenda in the discussion on Committee structure.

22. Internal Audit Reports

- 22.1 Lothian and Borders Management Audit Services – NHS Lothian – Chief Internal Auditor's Annual Report – the Committee noted a previously circulated report from the Chief Internal Auditor providing a statement of annual audit assurance for the processes reflected in the report.

- 22.2 Mr Messer spoke to the report and indicated that the 2006/07 ratings represented a significant improvement on those reported during 2005/2006 when the overall level of satisfactory ratings had fallen considerably in comparison to previous years. Ratings compared over the two years were shown in the report.
- 22.3 Mr Anderson commented that he was pleased to see the improvement in the ratings and questioned whether the number of reports was appropriate for an organisation of the size of NHS Lothian. He was interested in how NHS Lothian compared to other Health Boards.
- 22.4 Mr Messer emphasised that the number of reports carried out was in line with Internal Audit's assessment of the requirements and he advised that he would need to benchmark this against other Boards. **IM**
- 22.5 Mr Matheson advised that there were a number of ad hoc requests from managers over and above the Internal Audit Plan and he felt that this reflected the positive view of managers as to the useful contribution of the Internal Audit Team.
- 22.6 Mr Renwick commented that he would be concerned if the number of reports was reduced as he felt that the detail provided was good and the spread was appropriate.
- 22.7 The Chair advised it would be useful to see what types and numbers of audits were being done in other Health Boards.
- 22.8 Mr Marriott advised that a rough benchmarking had been undertaken on the number of audit days against other Boards and the numbers for NHS Lothian were comparable. It was agreed that further benchmarking analysis should be done on the level of reports produced. **CM**
- 22.9 Ms Woolman indicated that the reports produced were useful in promoting the need for internal control.
- 22.10 The Committee agreed to accept the report.

23. General Corporate Governance

- 23.1 Healthcare Governance Committee Annual Report to Lothian NHS Board – the previously circulated annual report from the Healthcare Governance and Risk Management Committee to Lothian NHS Board for the year 2006-07 was received.
- 23.1.1 The Committee noted that this report had been considered by Lothian NHS Board on 25 May 2007.
- 23.1.2 Mrs Douglas advised that Mr Smith had requested that the Committee note that the two operational groups for University Hospitals Division and primary

care were now operational and that mental health services were included in the primary care group. It was noted that a CHP representative had been asked to attend meetings of the Committee and there was specialist representation. The Committee had also strengthened its links with other governance committees.

23.1.3 Dr Winstanley advised that the terms of reference of the Healthcare Governance and Risk Management Committee were to be changed to cover the quality of procedures and not just assurance about risk.

23.1.4 The Committee agreed to accept the report.

23.2 Payment Verification in Primary Care – Financial Year 2006/07 – a previously circulated report providing an assurance that appropriate control measures were in place for payments made to family health services practitioners (General Medical Practitioners, General Dental Practitioners, Community Pharmacists and Optometrists) was received.

23.2.1 The Chair welcomed Mr Miller to the meeting.

23.2.2 Mr Miller advised the Committee that this report would normally have gone to the Primary Care Audit Sub-Committee but timescales were such that it was being submitted directly to the Audit Committee to give reassurance on the payment verification as outlined in the report.

23.2.3 Mr Anderson questioned why details of individual practices in the report were anonymised and Ms Hollis advised that this was the normal practice. It was noted that Counter Fraud Services had raised a particular case involving unacceptable practice in discussion with the Central Legal Office and efforts were being made to have a face-to-face meeting with the contractor.

23.2.4 Mr Matheson emphasised the need for liaison with Mr Egan in this matter and commented that the possible legal implications of naming specific contractors in reports was the reason they should be anonymised.

23.2.5 It was agreed that Mr Miller, the Chair and Mrs Douglas should discuss the way in which these reports were produced in future so that the level of detail was appropriate.

LJ/TD/DM

23.2.6 The Committee accepted the report.

23.3 Primary and Medical Services – Pre-Payment Verification Process re Quality Outcomes Framework 2006/07 – Mr Miller introduced the previously circulated report advising the Committee of the position in regard to the quality and outcome framework element of the new General Medical Services Contract on a pan-Lothian basis.

23.3.1 Mr Miller explained that the purpose of the report was to make the Audit Committee aware of the process and thus give additional assurance to the Committee.

- 23.3.2 Mr Matheson emphasised the richness of the clinical analysis behind the report and advised that this had been gone into in detail at the Executive Management Team.
- 23.3.3 Mrs Douglas commented that it was useful to get the engagement of the CHPs when these matters were considered.
- 23.3.4 The Chair queried references to three practices with one patient on the specialty register. Mr Miller explained that in smaller practices it was possible to have only one patient suffering from a particular condition on the register. The national system made allowances for such small registers and it was noted that Health Boards were able to air their concerns over the four nation contract by feeding information into a national group.
- 23.3.5 The Committee recognised the content of the report and expressed its satisfaction with the payment verification process.

Mr Miller left the meeting.

24. Annual Accounts

- 24.1 Statement on Internal Control – a previously circulated paper, together with the draft letter Statement on Internal Control was received.
 - 24.1.1 Mr Matheson advised that the NHS Scotland finance manual required NHS bodies to include as part of the published annual accounts a Statement on Internal Control by the Chief Executive as Accountable Officer. The purpose of this was to strengthen governance linkages and focus on the audit recommendations. He advised that the Board's performance management review system had been enhanced by the introduction of both the MIDAS (management information dissemination and action system) reporting suite and of the Citistat monitoring tool. Citistat was a performance management and improvement methodology especially developed for public sector organisations which had seven broad features to drive the process.
 - 24.1.2 Mr Renwick questioned the value of the Citistat methodology in the statement as it had only recently been introduced. Mr Matheson agreed that its value was in the explicit focus on specific issues.
 - 24.1.3 Mr Anderson advised that Citistat had only recently been introduced and a learning process was still being gone through. It was important to avoid duplication with the Finance & Performance Review Committee.
 - 24.1.4 Ms Woolman emphasised the importance in the Chief Executive believing that the content was representative of what was in place and not merely aspirational. The Statement on Internal Control was subject to review by External Audit but was not something on which they were required to give a report.

- 24.1.5 It was noted that the Remuneration Committee was a Board Committee and not a Sub-Committee of the Staff Governance Committee.
- 24.1.6 Following its review of the draft letter of Statement on Internal Control, the Committee agreed to note the arrangements put in place to support the Statement and recommend to the Board that, subject to minor amendments and the removal of references to Citistat, it recommended to the Board that the letter be signed by the Chief Executive on its behalf.
- 24.2 Representation Letter – the Committee received a previously circulated report, together with a draft Letter of Representation to the External Auditors.
- 24.2.1 Mr Matheson advised the extant international standard on auditing required External Auditors to obtain written confirmation of representations received from management on matters material to financial statements when other submitted audit evidence could not reasonably be expected to exist, before their audit report on the annual accounts was issued.
- 24.2.2 Mr Matheson outlined a number of areas where such information was being provided and advised the Committee that the investments in shares referred to in paragraph 10 related to the £1,000 shareholding in the joint venture with Wyeth.
- 24.2.3 Following discussion, it was agreed that the statement properly represented confirmation to the External Auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2007, and to recommend to the Board that the Letter be adopted, subject to minor amendments to paragraphs 17 and 21 to be agreed with the Board Chair, to be signed by the Chief Executive on the Board's behalf.
- 24.3 External Audit – Lothian NHS Board – Annual Audit Report, year Ending 31 March 2007 and Statement on Unadjusted Audit Differences
- 24.3.1 Ms Woolman introduced a previously circulated report on the matters arising from the audit of the financial statement for 2006/07 that required reporting under the International Standard of Auditing (ISA) 260.
- 24.3.2 Ms Woolman advised that a further more detailed report would be submitted to the next Audit Committee and that the report under consideration merely highlighted key elements from the annual accounts. Ms Woolman advised that she would be issuing an Unqualified Audit Statement confirming that NHS Lothian had met all three financial requirements set by the Scottish Executive. In respect of Agenda for Change, NHS Lothian was not alone in still having assimilate some posts and that whilst she was content with the level of disclosure in respect of equal pay claims, she would be concerned if this was still unquantifiable by 2007/08.
- 24.3.3 The Committee agreed that, with some minor amendments by Ms Woolman, the report should be submitted to the Board meeting on 27 June 2007.

- 24.4 Annual Accounts for the Year ended 31 March 2007 – the Committee received the annual accounts for 2006/07 and Mr Matheson went through them in detail.
- 24.4.1 Mr Matheson advised that the accounting policies had been agreed at the Audit Committee meeting held on 30 April 2007 and made reference to the year-end underspend of £4.6 million, the financial difficulties early in the year and the subsequent recovery plan.
- 24.4.2 Mr Matheson indicated that the final outturn had been received positively by the Scottish Executive, who had been very supportive throughout the year.
- 24.4.3 Following discussion, a number of minor amendments to the annual accounts were agreed and, subject to these amendments, the Committee agreed to recommend to Lothian NHS Board that it approve and adopt the annual accounts for year ended 31 March 2007.
- 24.4.4 On behalf of the Committee, Mr Renwick expressed his appreciation of the hard work of Mr Matheson and the team in producing the annual accounts and associated documentation. Mr Matheson reiterated his thanks to the staff involved. He also indicated that this had been the first year of the new External Auditors and expressed his appreciation to Ms Woolman and Ms Russell for the work they and their team had undertaken.

25. Annual Report and Draft Annual Assurance Statements

- 25.1 2006/07 Annual Audit Report of Primary and Community Audit Sub-Committee – the previously circulated annual report of the NHS Lothian Primary and Community Audit Sub-Committee for 2006/07 was adopted.
- 25.2 2006/07 Annual Audit Report of University Hospitals Division Audit Sub-Committee – the previously circulated annual report of the NHS Lothian University Hospitals Division Audit Sub-Committee for 2006/07 was adopted.
- 25.3 Consideration of Resources – the Committee received a previously circulated report giving members an opportunity to reflect on the adequacy of the resources made available to it. It was agreed that, in the members' opinion, the resources made available to the Committee (through audit days and supplementary support) had been adequate for the Committee to discharge its functions.
- 25.3.1 The Chair commented that difficulties in staffing (mainly due to a high absence level) in Internal Audit had led to the bringing in of sub-contractors to complete two audit exercises and that the Committee had been well resourced in terms of the Secretariat.
- 25.3.2 Mr Messer indicated that the two members of staff previously on long-term sickness absence had now returned to work and the department was fully resourced.

25.3.3 The Committee commented that there was an opportunity to explore the use of internal audit in areas of joint working. Furthermore going forward, it would be important to recognise the new Committee structure in taking forward the 2007/08 plan.

25.4 NHS Lothian Audit Committee Annual Report – the Committee agreed to adopt the previously circulated annual report from the Chair for the year 2006/07.

26. Restructuring of the NHS Lothian Audit Committee

26.1 A previously circulated report outlining a revision to the structure of the NHS Lothian Audit Committee function, its membership and terms of reference was received.

26.2 Ms Woolman raised the issue of the application of the systems of approval of write-off levels for losses and compensation payments. Mr Payne advised that the limits were detailed in the financial scheme of delegation, and that schedules were brought to the Audit Committee if Scottish Executive Health Department approval for write-off was required. He undertook to review the process with the Head of Financial Services to ensure that schedules were presented to the Committee as required on a continuing basis.

AP

26.3 It was noted that the audit of the Endowment Funds would be considered through the Endowments Advisory Committee and agreed by the Endowment Trustees.

26.4. The Committee agreed to recommend the revised terms of reference and membership to the Board for approval.

27. Linkages with Other Board Committees

27.1 Finance and Performance Review Committee – the Committee noted the previously circulated Minutes of the Finance and Performance Review Committee meeting held on 11 April 2007.

27.2 Healthcare Governance and Risk Management Committee – the Committee noted the previously circulated Minutes of the Healthcare Governance and Risk Management Committee held on 17 April 2007.

28. Date of Next Meeting

28.1 It was noted that the next meeting of the Audit Committee would be held on Monday, 27 August 2007 at 9.00am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 27 August 2007 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (chair); Mr R Y Anderson; Mrs T Douglas and Mr E Egan.

In Attendance: Ms D Carmichael (Associate Director of Finance); Ms L Hollis (Associate Director of Finance); Mr J T McCaffery (Director for Acute Services and Workforce); Mr C Marriott (Associate Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr A Payne (NHS Lothian Corporate Governance and VFM Manager); Mr P Reith (Secretariat Manager); Ms H Russell (External Auditor – Audit Scotland); Dr C J Winstanley (Chair, Lothian NHS Board) and Ms G Woolman (External Auditor – Audit Scotland).

Apologies for absence were received from Professor J J Barbour and Mr S H Smith.

29. Minutes of the Previous Meeting

29.1 The previously circulated Minutes of the meeting of the Audit Committee held on 25 June 2007 subject to the following amendments:-

Minute 24 – References to “statement of internal control” to read “statement on internal control”.

Minute 24.3 – Title to read “External Audit – Lothian NHS Board – Annual Audit Report, Year Ending 31 March 2007 and Statement on Unadjusted Audit Differences”

30. Matters Arising

30.1 Matters Arising from the Meeting of 28 May 2007 – the Committee noted a previously circulated paper detailing the Matters Arising from the Audit Committee meeting held on 28 May 2007, together with the action taken and the outcomes.

30.1.1 The Committee agreed to note the action taken in respect of the Matters Arising.

30.2 Matters Arising from the Meeting of 25 June 2007 – the Committee noted a previously circulated paper detailing the Matters Arising from the Audit

Committee Meeting held on 25 June 2007, together with the action taken and the outcomes.

- 30.2.1 Mr Messer advised that, in respect of the number of audits undertaken by other NHS Boards, that further information was to be obtained, although data received to date indicated that NHS Lothian performed more projects than was provided under some outsourced internal audit contracts.. Mr Messer and Mr Marriott would bring forward a paper to the Committee detailing the outcome of the benchmarking that had been undertaken. Mr Matheson highlighted that it was difficult to compare numbers of audits meaningfully due to differing topics, depth and complexity. **IM/CM**
- 30.2.2 The Chair advised that she would be discussing the format of payment verification reports with Mr Miller. **LJ**
- 30.2.3 The Committee agreed to note the action taken in respect of the Matters Arising.
- 30.3 Matters Arising – Disclosure Scotland Checks – a previously circulated report providing information on the controls within the general recruitment process to detect applicants with a criminal record was received.
- 30.3.1 Mr McCaffery advised that many staff who had been in post prior to the introduction of compulsory disclosure had not yet undertaken Disclosure Scotland checks and the turnover of staff was making it difficult to catch up.
- 30.3.2 Mr Egan commented that the staff side supported disclosure on all staff and considered that this was a requirement in spite of the significant costs and difficulties.
- 30.3.3 Mr Anderson sought an assurance that there would be quality control management on the completion of forms and Mr McCaffery indicated that this would be picked up during training.
- 30.3.4 Mrs Douglas asked whether there had been an audit of disclosure checks and Mr Messer advised that this was not something that was in the current programme.
- 30.3.5 The Chair suggested that this was something that should be picked up and Mr Egan advised that the checking of existing staff was being taken forward through the Staff Governance Committee.
- 30.3.6 Mr Martin advised the Committee that all forms were returned to the Recruitment office and therefore passed through a single collection point.
- 30.3.7 The Committee agreed to note the procedures that were in place and to receive reports back from Mr Egan on progress through the Staff Governance Committee and Mr Messer on the future audit. **EE/IM**

- 30.4 Update on Appraisals and Personal Development Plans – a previously circulated report providing an update on the Performance Appraisal and Personal Development Planning was received.
- 30.4.1 The Committee noted that the Knowledge and Skills Framework would help achieve the target and that CHPs were already reporting 100% compliance.
- 30.4.2 In response to a question from Dr Winstanley regarding the robustness of consultant appraisals, Mr McCaffery confirmed that a significant proportion of the consultant appraisal did cover performance and complaints, etc. were reiterated during that process.
- 30.4.3 Mrs Douglas questioned whether there were other frameworks to make reference to as well as the Knowledge and Skills Framework and Mr McCaffery indicated that both management and consultant appraisals tied in with the various professional bodies and the “Lothian Way”.
- 30.4.4 The Committee agreed to note the report.
- 30.5 Briefing on Data Deficit Strategy – a previously circulated report on the necessity for data or procurement transactions to be captured in a reliable and consistent way throughout NHS Scotland was received.
- 30.5.1 Mr Anderson commented that the proposed spend analysis tool would be useful so long as the data was kept up to date.
- 30.5.2 Mr Egan queried when it was likely that useful information could be obtained using this tool and Ms Hollis indicated that a Procurement Audit Quality Board had been set up and would continue to involve staff. Ms Hollis would keep the Committee up to date with any developments.
- 30.6 Briefing on NSS Contracts – a previously circulated paper giving a briefing on NSS contracts was received.
- 30.6.1 Mr Matheson commented that NHS Lothian had not made as much additional savings from the national contracts as had been hoped as it had often been the NHS Lothian contract that was rolled out nationally. He suggested that greater economies of scale might be achievable through national UK contracts rather than ones confined to Scotland.
- 30.6.2 Mr Matheson advised that NHS Lothian needed to work closely with National Services Scotland and he confirmed that the use of national contracts was a requirement.
- 30.6.3 Ms Hollis indicated that NHS Lothian had a local procurement manager working with NSS and undertook to circulate a breakdown of the contract showing the anticipated Lothian savings.
- 30.6.4 The Committee agreed to note the report.

LH

30.7 Approval for Losses and Compensation Payments – a previously circulated report providing an update on compliance with the delegated Authority for losses and special payments and confirmation that the Scheme of Delegation was applied in practice was received.

30.7.1 Ms Carmichael advised the Committee that a further report would be submitted to the October meeting which would provide a list of all the losses. DC

30.7.2 The Committee agreed to note the report.

31. Links with Other Board Committees

31.1 Finance and Performance Review Committee – the Committee noted the previously circulated Minutes of the Finance and Performance Review Committee meeting held on 13 June 2007. In response to a question from Mr Egan, Mr Messer confirmed that two of the projects referred to in the Minutes were being audited and reports would be submitted to the October Audit Committee.

31.2 Healthcare Governance and Risk Management Committee – the Committee noted the previously circulated Minutes of the Healthcare Governance and Risk Management Committee held on 19 June 2007. Mr Egan advised the Committee that he had expressed concerns about the numbers of patients for whom no discharge letter had been written. It was noted that Mr Payne was still involved in the Clinical Documentation Group following up discharge letters and other aspects of documentation. It was noted that this Group would feedback to the Chair of the Healthcare Governance and Risk Management Committee.

31.3 Staff Governance Committee – the Committee noted the previously circulated Minutes of the Staff Governance Committee held on 13 May 2007. Mr Egan commented that health and safety problems were being encountered in the Laundries with sharps and human waste being found increasingly in laundry collected from hospitals. It was noted that the Health and Safety Executive had met with Mr McCaffery, Mr Egan and Mr Chamings and a new policy had been introduced. It was considered that it would be useful if Internal Audit checked that Health and Safety Committees were meeting regularly.

31.3.1 Mr Messer advised that an audit on the structure on Health and Safety arrangements in Lothian was just starting and a report would be submitted to the next meeting of the Committee.

32. Internal Audit Reports

32.1 Lothian and Borders Management Audit Services – Lothian NHS Board Pan-Lothian 2007/08 Internal Audit Plan Scheduling/IT Planning Update – a previously circulated update on the Operational Audit Plan was received and the proposed audit coverage was approved.

32.2 Lothian and Borders Management Audit Services – the previously circulated Operational Audit Plan for 2007/08 with completion dates was received.

32.2.1 Mr Messer advised the Committee that the meeting with Human Resources had been rescheduled and Internal Audit was working closely with Human Resources to manage sickness absence in the audit department.

32.2.2 The Committee accepted the Operation Audit Plan 2007/08 with completion dates.

33. General Corporate Governance

33.1 Update on Pensions Accounting – the Committee noted a previously circulated report giving an update on the issues that had arisen in respect of pensions accounting during 2006/07.

33.1.2 Mr Martin advised the Committee that the Scottish Public Pensions Agency had not provided updates since February 2007 and this was being taken up with the Scottish Executive Health Department Finance Department.

33.1.3 Mr Matheson commented that his main concern was the impact of the information not being received in good time on making an assessment of the potential impact on the projected financial outturn.

33.1.4 The Committee agreed to note the report.

33.2 Technical Brief – the Committee noted a previously circulated paper summarising issues from the latest release of the Audit Scotland Technical Bulletin 2007/2 dated June 2007.

33.2.1 Mr Martin spoke to the paper and commented that Health Boards had been reminded that their annual accounts should not be published on the Board website or other media until they had been laid down by Scottish Ministers. It was noted that summary reports of National Audit Office reports were provided to CHPs.

33.2.2 The Committee agreed to note the report.

33.3 NHS Scotland Counter Fraud Services Quarterly Report (June 2007) – a previously circulated report summarising the investigations undertaken by Counter Fraud Services in NHS Lothian was received.

33.3.1 Mr Anderson questioned whether the cost of patient exemption checking was worth the return and Mr Messer advised that Counter Fraud Services felt that there was a significant deterrent effect when patients were aware that checks were made.

33.3.2 Mr Egan questioned whether using an in-house Counter Fraud Service would provide improved value for money and Mr Messer advised that the Scottish

Executive had issued a Health Department letter requiring their use and that NHS Lothian/CFS had as required entered into a partnership agreement.

- 33.3.3 Mr Matheson advised that Counter Fraud Services were considering strengthening their presence at a number of Boards including Lothian and this would potentially involve a local contact person on the ground who could increase the focus on taking forward counter fraud issues in Lothian.
- 33.3.4 The Committee agreed to note the update.
- 33.4 Draft NHS Lothian Standing Orders – the Committee noted a previously circulated report together with draft revised NHS Lothian Standing Orders.
- 33.4.1 Mr Payne explained that most of the changes were to the Financial Scheme of Delegation. He indicated that the ceiling on the delegated Authority to the Strategic Capital Planning Group would be £500,000 and not £1m as indicated in the paper.
- 33.4.2 Ms Woolman questioned the reference to gifts and how this was to be conveyed to staff. Mr Egan advised that not only was this contained in the contract of employment but it was covered during the Induction process.
- 33.4.3 Mr Payne advised that the Standing Financial Instructions were also available on the Intranet.
- 33.4.4 Mr Egan queried whether it was intended that the Standing Financial Instructions would relate to staff receiving small gifts, including alcohol, from patients and indicated that, if so, this constituted a change in practice. He also questioned whether this change had gone through the appropriate processes with Staff Governance and Partnership Forum.
- 33.4.5 It was agreed that the Chair, Mr Payne and Mr Egan would pick this up to see if the proposed wording was contained in the Management Executive letter. **LJ/AP/EE**
- 33.4.6 Mr Martin indicated that he had a number of minor changes and Ms Woolman queried the reference to capital grants. Mr Marriott advised that capital grants were simply treated as capital.
- 33.4.7 Mr Egan commented that the SEAT framework on Governance appendix was now somewhat out of date and had not involved any Partnership engagement. He also questioned who provided the oversight for staff working for SEAT.
- 33.4.8 Mr Matheson indicated that employees working for SEAT worked for a host Board and there was an annual workshop to which Non Executive Board Members were invited and which formed part of the planning process. He confirmed that SEAT monitored the implementation of policies.
- 33.4.9 Mr Matheson also advised that SEAT had discussed the possibility of Non Executive representation.

- 33.4.10 The Committee questioned the precise wording of the model Standing Orders for CHPs as it was felt that a number of the provisions were not necessarily appropriate.
- 33.4.11 It was agreed that the various amendments considered and reported should be incorporated and a revised version of the amended Standing Orders and appendices emailed out to Audit Committee members. **AP**
- 33.5 Clinical Documentation Group – Mr Payne advised that the remit of the Group was to oversee issues related to clinical documentation and develop and sign off all documentation used in and as health care records with a view to ensuring fitness for purpose and consistency.
- 33.5.1 Mrs Douglas commented that she was pleased that Mr Payne was a member of this Group as the former University Hospitals Division Audit Sub Committee had expressed concerns about the proliferation of documentation.
- 33.5.2 The Committee agreed to note the report and ask Mr Payne to provide 6 monthly updates.
- 33.5.3 Mrs Douglas advised the Committee that she would be working with Mr Smith in order to better tie in the Operational Audit and Healthcare Governance and Risk Management agendas.
- 33.6 Write-Off of Bad Debt – a previously circulated report in respect of four bad debts, each of which was in excess of £5,000 was received.
- 33.6.1 Mr Anderson commented that in future more information should be provided on how the bad debts had arisen.
- 33.6.2 It was suggested that a review of the debt collection agencies used would be appropriate and Ms Carmichael undertook to look at how NHS Lothian tendered for the debt collection agencies and would report back. **DC**
- 33.6.3 The Committee noted that one of the instances of bad debts was in respect of a former NHS Trust and agreed that further clarification of the governance around the write-off should be fully explored. **DC**
- 33.6.4 In respect of a case involving a doctor who had been overpaid and had not repaid the overpayment, Mr Egan suggested that the Dean of the Faculty of Medicine be asked to write to the doctor. **DC**
- 33.6.5 The Committee agreed to approve the report subject to the provision of the additional information requested. **DC**

34. External Audit

- 34.1 Audit Scotland: Lothian Health Board: Report on the 2006/07 Audit (July 2007 – the Committee noted a previously circulated report on the 2006/07 audit produced by Audit Scotland.
- 34.1.1 Ms Woolman spoke to the report and apologised that one typographical error had crept in on page 13 where the figure should be £994m and not £944m. Ms Woolman explained that a significant amount of external audit work was spent on interfacing with a number of other parties and explained that some of the technical detail in the report was necessary to provide information to the Auditor General.
- 34.1.2 In respect of organisational risks, Ms Woolman commented that single system working was still evolving and that the task in the year ahead of achieving financial balance would be challenging.
- 34.1.3 Ms Woolman advised that the likely liability from equal pay for work of equal value claims could be quite significant.
- 34.1.4 Ms Woolman indicated that the financial statements had been covered at the previous Audit Committee and emphasised the need for the underlying recurrent deficit of the £18m to be addressed.
- 34.1.5 Mr Matheson commented that there were no surprises contained in the report and all the issues had previously been highlighted to either the Board or the relevant Sub-Committee. He emphasised the need for a recurrence of CRES delivery to be stabilised and expressed the view that NHS Lothian's relationship with Audit Scotland had got off to a good start. He emphasised that the use of non-recurrent income was down to just over 1% of turnover and he commented that the action plan would be helpful.
- 34.1.6 Ms Woolman undertook to pass Mr Matheson's comments to Audit Scotland. **GW**
- 34.1.7 In response to a question concerning the risk area for pensions, Mr Matheson indicated that NHS Lothian had complied with current guidance and if this was changed by the Scottish Executive then NHS Lothian would comply with the new guidance.
- 34.1.8 Mr Anderson commented that in respect of long-term planning issues, NHS Lothian was often at the mercy of external events.
- 34.1.9 Mr Matheson advised that the Audit Committees and Audit process measured performance against set targets but did not determine whether those targets were appropriate.
- 34.1.10 The Committee agreed to note the report.
- 34.2 2006/07 Review of Financial Position and Financial Management – a previously circulated report from Audit Scotland on the 2006/07 review of the financial position and financial management was received.

- 34.2.1 Ms Woolman spoke to the report and both the scope and approach of the Audit as well the risk exposure and planned management action. She commented that NHS Lothian had significant levels of internal reporting in place.
- 34.2.2 Mr Matheson advised that helpful discussions had been held with Audit Scotland to finalise the report and he emphasised the responsibility of budget holders to live within their resources.
- 34.2.3 Mr Egan commented on the impact of incremental drift and the need to hold managers to account.
- 34.2.4 Mr Matheson indicated that some fluctuations were inevitable and were accounted for using the mid term review.
- 34.2.5 Mr Egan commented that he would like to see greater reference to Partnership engagement in future reports.
- 34.2.6 Ms Woolman recommended the greater involvement of Internal Audit in the process and commented that the direction of travel in NHS Lothian was positive.
- 34.2.7 The Committee agreed to note the report.

35. Date of Next Meeting

- 35.1 It was noted that the next meeting of the Audit Committee would be held on **Monday 29 October 2007 at 9.00am** in the **Boardroom, Deaconess House, 148 Pleasance, Edinburgh.**

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee meeting held at 11.00am on Monday, 29 October 2007 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Mr R Y Anderson (In the Chair); Mrs T Douglas; Mr S G Renwick and Mr S H Smith.

In Attendance: Ms D Carmichael (Associate Director of Finance); Mr N Hex (External Auditor, Audit Scotland); Ms L Hollis (Associate Director of Finance); Mr C Marriott (Associate Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr A Payne (NHS Lothian Corporate Governance and VFM Manager); Mr P Reith (Secretariat Manager); Ms H Russell (External Auditor – Audit Scotland); Ms C Sweeney (External Auditor – Audit Scotland); Dr C J Winstanley (Chair, Lothian NHS Board) and Ms G Woolman (External Auditor – Audit Scotland).

Apologies for absence were received from Ms L Jamie and Mr E Egan.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

36. Minutes of the Previous Meeting

36.1 The previously circulated Minutes of the meeting of the Audit Committee held on 27 August 2007 were approved, subject to the following amendments:-

in the list of Apologies for Absence received, add “Mr S G Renwick”

Minute 33.2.1 - delete “national audit office” and substitute” Audit Scotland national”.

37. Matters Arising

37.1 Matters Arising from the Meeting of 27 August 2007 – the Committee noted a previously circulated paper detailing the matters arising from the Audit Committee meeting held on 27 August 2007, together with the action taken and the outcome.

37.1.1 Mr Payne gave a verbal update to the paper and advised the Committee that Mr Matheson’s comments on the 2006/07 audit had been shared with Audit Scotland.

38. Draft Minutes of the Operational Audit Sub-Committee held on 1 October 2007

- 38.1 The Committee noted the previously circulated draft Minutes of the meeting of the Lothian NHS Board Operational Audit Sub-Committee held on Monday, 1 October 2007.
- 38.2 Mrs Douglas spoke to the Minutes and advised the Committee that there had been a good attendance at the meeting and the Minute provided a clear representation of the range and depth of the items discussed.
- 38.3 Mr Renwick commented that it had been a very good meeting with useful debates.
- 38.4 The Committee agreed to receive the Sub-Committee Minutes of the meeting held on 1 October 2007.

39. Presentation from Audit Scotland on Performance Audit

- 39.1 The Chair introduced Ms Sweeney and Mr Hex.
- 39.2 Mr Hex gave a presentation on the role of the public reporting group and how the group propose to best engage with Health Boards. Mr Hex outlined the purpose of the group and explained that it was intended to provide more support with national reports, including self-assessment checklists and details of issues for Non-Executive Board members to consider.
- 39.3 Mr Hex advised that Audit Scotland intend to undertake a more active role in the communication of reports than has been the case in the past. This will include attending Board Audit Committees, and developing a communications strategy for each report.
- 39.4 Ms Sweeney went through the process of agreeing reports and the issues which Boards should be considering.
- 39.5 Dr Winstanley queried the process for deciding topics for study and Mr Hex emphasised that these were determined through formal consultation and emphasised that he was happy to talk about the work programme with Boards.
- 39.6 Mr Renwick questioned what difference the Crerar report would make and Mr Hex advised that Audit Scotland had someone looking at report and he emphasised the need to be conscious of what other bodies were doing in order to avoid duplication.
- 39.7 Mr Smith commented that the self-assessment checklist for NHS Boards had been extremely useful.

- 39.8 The Chair emphasised the importance of the engagement with Non-Executive Board Members and emphasised the need not to add to the list of things that they needed to attend. He suggested that the existing Audit Forum might be re-energised.
- 39.9 Dr Winstanley suggested that summaries of the draft work undertaken would be helpful.
- 39.10 The Committee agreed to note the presentation and the current position in respect of the public reporting group.

40. Linkages with other Board Committees

- 40.1 Finance & Performance Review Committee - the Committee received the previously circulated Minutes of the Finance & Performance Review Committee meeting held on 8 August 2007.
- 40.2 Healthcare Governance & Risk Management Committee - the Committee received the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on 21 August 2007. Mr Smith drew the Committee's attention to the process of transition to clinical records in clinical coding.
- 40.3 Staff Governance Committee - the Committee received the previously circulated Minutes of the meeting of the Staff Governance Committee held on 29 August 2007.

41. General Corporate Governance

- 41.1 Audit Scotland Technical Bulletin 2007/3 (September 2007) - Mr Martin introduced the previously circulated technical brief containing extracts from Audit Scotland Technical Services Unit technical bulletin.
- 41.1.1 The Committee noted that the bulletin provided guidance on interpreting the NHS capital accounting rules on capital grants. In particular, reference was made (as part of qualifying criteria) to the concept of "direct use". This term was not defined within the capital manual and the Technical Unit's use of this interpretation has been queried so that progress could be made in the audit of NHS Lothian schemes for capital grants during 2007/2008. The Committee also noted the helpful glossary of terms appended to the paper.
- 41.1.2 Mr Martin advised the Committee that the issue of how to treat PFI assets still had to be resolved by the European Union and Ms Woolman reported that this matter had been referred to the International Financing Reporting Standards body.
- 41.2 Report and Details of Losses and Compensation Payments April 2007-September 2007 - a previously circulated report providing the Committee with

assurance on the processes supporting the preparation of the SFR18 return and the application of the financial scheme of delegation was received.

41.2.1 Ms Carmichael introduced the report and outlined the position in respect of loss of cash due to thief, fraud, over-payment of salary as well as compensation payments, ex gratia payments and bad debts.

41.2.2 The Chair reminded the meeting that the Committee had sought reassurances that there was a robust system in place and at Mr Renwick's suggestion it was agreed that in future, write-offs could go to the Operational Audit Sub-Committee.

41.2.3 The Committee agreed to note the reassurances contained in the report.

41.3 Audit Scotland: Managing Long Term Conditions (August 2007) - a previously circulated report from Audit Scotland on managing long term conditions was received.

41.3.1 Mr Payne advised that Dr Montgomery had given a presentation on this report to the Operational Audit Sub-Committee where the report's implementation had been considered.

41.3.2 The Committee agreed to note the report.

41.4 Audit Scotland: Primary Care Out-of-Hours Services (August 2007) - a previously circulated report on primary care out-of-hours services was received.

41.4.1 The Committee noted that this report had been presented to the Operational Audit Sub-Committee by Dr Mike Winter.

41.4.2 The Committee agreed to note the report.

41.5 NHS Lothian Patients' Funds - Annual Accounts 2006/07 - the Committee received a previously circulated report on the Patients' Funds accounts for the year ended 31 March 2007.

41.5.1 Ms Carmichael introduced the report and explained the Committee was being asked to review the draft letter of representation, recommend to the Board that the letter of representation be adopted for the Chief Executive to sign on their behalf and recommend that the Board approve the annual accounts for Patients' Private Funds for the year ended 31 March 2007.

41.5.2 Mr Martin advised the Committee that the circulated report from KPMG, who were the external auditors to the Patients' Fund, would be incorporated into the report to the Board. Mr Renwick suggested a computerised system, rather than paper records at ward level, might be more appropriate and Ms Carmichael agreed to investigate whether such a system would be possible.

DC

41.5.3 It was agreed that Mr Martin would look into the management of the funds for patients living in the community.

RM

41.5.4 The Committee agreed that the relevant staff should be reminded of the need for Patients' Funds to be looked after appropriately and agreed to recommend to the Board that the letter of representation be adopted for the Chief Executive to sign on their behalf and to recommend that the Board approve the annual accounts for Patients' Private Funds for the year ended 31 March 2007.

JM

42. Any Other Competent Business

42.1 Ms Woolman suggested that the term Kaizen, which appeared on a regular basis in Audit and other Minutes should be accompanied by a brief explanation as the terminology might not be readily understood when Minutes were read in future years.

42.2 (Kaizen is a workplace quality strategy related to various quality control systems, which should humanise the workplace, eliminate overly hard work, teach people how to perform experiments using scientific methodology and how to learn to spot and eliminate waste in business processes.)

43. Date of Next Meeting

43.1 It was noted that the next meeting of the Audit Committee would be held on Monday, 4 February 2008 at 9.00am in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of a Private Meeting of the NHS Lothian Audit Committee held at 9.00am on Monday, 29 October 2007 in the Boardroom, Deaconess House, 148 Pleasance, and Edinburgh.

Present: Mr R Y Anderson (In the Chair); Mrs T Douglas and Mr S G Renwick.

In Attendance: Professor J J Barbour (Chief Executive, NHS Lothian); Mr N Billing (Head of Service, Counter Fraud Services); Mr J Cameron (Senior Dental Adviser); Mr I Campbell (Central Legal Office); Mr R Macdonald (Central Legal Office); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr D Miller (General Manager – Primary Care Contracts); Mr P Reith (Secretariat Manager); Dr M Winter (Associate Medical Director) and Dr C J Winstanley (Chair, Lothian NHS Board).

Apologies for absence were received from Ms L Jamie and Mr E Egan.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

Mr Anderson indicated that he had previously worked for the Practitioner Services Division, although had not been involved in this particular case.

Mr Matheson declared that his daughter had been a patient of the dental practice concerned.

Mrs Douglas declared that her children had also been patients of the dental practice concerned.

Professor Barbour declared that he was a member of the National Services Scotland Board.

As none of the interests declared caused a conflict the meeting proceeded.

1. Orthodontic Investigation

- 1.1 A previously circulated paper providing an update on the investigation of concerns regarding an Orthodontic practice in Lothian, and a report from Counter Fraud Services, were received.

COMMERCIAL - IN CONFIDENCE

NOT DISCLOSABLE UNDER THE FREEDOM OF INFORMATION (SCOTLAND) ACT 2002

- 1.2 Dr Winter introduced the report and explained that this was an unusual situation as the investigation was still in progress but the practice concerned delivered 40% of the general dental practice in Lothian.
- 1.3 Dr Winter emphasised that the service itself was not at risk as it was believed that the business was viable, notwithstanding any possible misclaims.
- 1.4 The Committee noted that a routine clinical governance review across dentists in NHS Scotland in 2006, linked to the first appointment of a Senior Dental Adviser within the Practitioner Services Division, had led to an additional targeted payment verification exercise of dental claims submitted to the Division. This exercise had looked specifically at requests for prior approval from General Dental Practitioners and at claims for repairs, referral and extended retention for Orthodontists.
- 1.5 As a result of these reviews, initial concerns regarding possible probity issues relating to a single Orthodontic practice, delivering a service from a number of premises, were then passed to NHS Counter Fraud Services for further investigation. Counter Fraud Services reviewed a sample of 85 cases that had been subject to the review and a report into this first independent investigation had now been received and was circulated with the papers.
- 1.6 The overall conclusion from the Counter Fraud Services report was to confirm that numerous inappropriate claims had been submitted but that the Counter Fraud Services would not be reporting this case to the Procurator Fiscal due to insufficient evidence in proving criminal intent by any individual.
- 1.7 Dr Winter emphasised that all of the samples so far checked had contained misclaims, mostly of relatively small amounts, but which when extrapolated over the annual population of such transactions could amount to.
- 1.8 Mr Cameron advised the Committee that he had found that the practice concerned had made regular extended retention claims and gave details of his investigation.
- 1.9 Professor Barbour questioned whether these misclaims were something that NHS Lothian should have been able to identify.
- 1.10 Dr Winter advised that under the system in operation in Scotland, the claims were made directly to the Practitioner Services Division and that there had been no specific reason to be suspicious. Whilst the individual Orthodontist's claims were higher than average, they were within the normal range and it was only when the Orthodontists attached to that practice had been aggregated that the anomaly was displayed. Following this exercise the Practitioner Services Division now had an extra level of scrutiny to identify such anomalies.

COMMERCIAL - IN CONFIDENCE

NOT DISCLOSABLE UNDER THE FREEDOM OF INFORMATION (SCOTLAND) ACT 2002

- 1.11 Dr Winter advised the Committee that a separate investigation was also being conducted into one of the Assistants separately from this exercise.
- 1.12 Mr Renwick questioned whether the misclaims were accidental or malicious and Dr Winter advised that it appeared that the individual dentists and the patients had signed the relevant forms in good faith. It was possible that the claims had been subsequently altered but this would be extremely difficult to prove.
- 1.13 Mr Matheson emphasised the need for the discussion to stay with the facts and commented that the regulations appeared to have been susceptible to interpretation in different ways.
- 1.14 It was noted that external interpretation of the regulations was being obtained.
- 1.15 The Chair questioned whether there were any concerns about the quality of the treatment of the patients and Dr Winter advised that there was no reason to limit the scope of the practice as the patients appeared to have been treated appropriately. Colleagues from the Scottish Dental Practice Board had been involved and did not have any concerns about the quality of the service.
- 1.16 Mr Billing emphasised that this case had been a frustrating one as the regulations were not robust and a criminal case would require a huge number of witnesses. It was not possible to prove a criminal intent to defraud against any one individual.
- 1.17 Professor Barbour expressed concern that the system appeared to be capable of widespread misinterpretation, with forms capable of subsequent alteration.
- 1.18 Mr Macdonald commented that there appeared to be clear evidence of a failure of the practice in interpretation of regulations? and that a civil action to recover losses could be undertaken.
- 1.19 Mr Macdonald advised the Committee that each individual claim would have to be proved and Dr Winter indicated that additional manpower would be required to undertake further investigation.
- 1.20 Mr Cameron advised the Committee that he was satisfied that the majority of work claimed for had been undertaken and that the payments in question were being withheld.
- 1.21 After a full and frank discussion, the Committee agreed that:
 - a) an opinion should be sought from the Procurator Fiscal's office as to whether they would be prepared to proceed with a criminal prosecution based on the result of the Counter Fraud Service investigation. If that

COMMERCIAL - IN CONFIDENCE

NOT DISCLOSABLE UNDER THE FREEDOM OF INFORMATION (SCOTLAND) ACT 2002

opinion supported criminal action, then the report should be forwarded to the Procurator Fiscal for a criminal prosecution;

JM

b) a civil recovery of the monies overpaid should be sought with an immediate application to the courts for a prohibition on the assets of the practice concerned;

JM

c) to refer the matter under disciplinary proceedings with possible reversion to NHS Tribunal after the outcome of the civil action was known;

JM

d) subject to the outcome of the preceding actions to refer the practitioner to the General Dental Council;

DM

e) to raise with the Director of Finance of National Services Scotland his assurances of robustness of the system; and

JM

f) to notify NHS Fife of the above actions.

DM

1.22 The Chair thanked members of the Committee for their patience in these discussions.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of a Private Meeting of the NHS Lothian Audit Committee held at 8.45am on Monday 4 February 2008 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair); Mr R Y Anderson and Mrs T Douglas.

In Attendance: Mr J Cameron (Senior Dental Advisory); Mr I Campbell (Central Legal Office); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr R Macdonald (Central Legal Office); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr D Miller (General Manager – Primary Care Contracts); Mr P Reith (Secretariat Manager) and Dr M Winter (Associate Medical Director).

Apologies for absence were received from Professor J J Barbour, Mr E Egan, Mr S G Renwick and Dr C J Winstanley.

Declaration of Financial and Non-Financial Interest

The Chair reminded members that they should declare any financial and non-financial interest they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

Mr Anderson indicated that he had previously worked for the Practitioner Services Division, although he had not been involved in this particular case.

Mr Matheson declared that his daughter had been a patient of the dental practice considered.

Mrs Douglas declared that her children had also been patients of the dental practice concerned.

As none of the interests declared caused a conflict the meeting proceeded.

1. Minutes of the Previous Private Meeting

- 1.1 The previously circulated Minutes of the Private meeting of the NHS Lothian Audit Committee held on 29 October 2007 were approved.

**NOT DISCLOSABLE UNDER THE FREEDOM OF INFORMATION (SCOTLAND)
ACT 2002**

2. Matters Arising

2.1 Orthodontic Investigation – the Committee noted that following consultation with the Procurator Fiscal, it had been ascertained that a criminal prosecution would not be possible in this case.

2.1.1 Whilst all further reviews had shown some level of misclaiming of varying sums, each individual case would have to have evidence presented in a civil case.

2.1.2 It was noted that the individual concerned had lodged multiple NHS complaints against the senior dental adviser and had raised multiple Freedom of Information Act and Data Protection Act requests.

2.1.3 The Committee agreed:-

- a) to note that the Procurator Fiscal's office would not be prepared to proceed with a criminal prosecution;
- b) that full recovery of all the monies owing was unlikely;
- c) that the matter should be referred under disciplinary procedure to the Reference Committee with a view to a Representation being made to the NHS Tribunal after the outcome of any civil action was known;
- d) that subject to the outcome of the preceding actions, the practitioner should be referred to the General Dental Council;
- e) to note that the matter had been raised with the Director of Finance of National Services Scotland; and
- f) to note that NHS Fife had been notified of the above actions.

2.1.4 Mr Cameron indicated that he would examine 30 cases in forensic detail and advise on what action might then be taken.

2.1.5 It was agreed that the associates in the practice should be approached on a voluntary basis, possibly under the auspices of the Dental Practice Board Chair, to see if they could provide any assistance.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the Audit Committee Meeting held at 9.00am on Monday, 7 April 2008 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair); Mr R Y Anderson; Mrs T Douglas and Mr E Egan.

In Attendance: Mr I Graham (Head of Capital Planning and Premises Development); Mr C Marriott (Associate Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr D Miller (General Manager – Primary Care Contracts) (For Item 2.3); Mr A Payne (NHS Lothian, Corporate Governance and VFM Manager); Mr D Proudfoot (Assistant Chief Internal Auditor); Mr P Reith (Secretariat Manager); Ms H Russell (External Auditor – Audit Scotland); Dr C J Winstanley (Chair, Lothian NHS Board); Dr M Winter (Associate Medical Director) (For Item 2.3); Ms G Woolman (External Auditor – Audit Scotland); Ms M Worsfold (Counter Fraud Services) and Mr G Young (Counter Fraud Services).

Apologies for absence were received from Mrs P Murray and Professor J J Barbour.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identify the relevant agenda item and the nature of their interest.

Mr Anderson indicated that he had previously worked for the Practitioner Services Division, although he had not been involved in the particular case under discussion.

Mr Matheson declared that his daughter had been a patient of the dental practice concerned.

Mrs Douglas declared that her children had also been patients of the dental practice concerned.

As none of the interests declared caused a conflict, the meeting proceeded.

1. Minutes of the Previous Meeting

1.1 The previously circulated Minutes of the meeting of the Audit Committee held on 4 February 2008 were approved, subject to the following amendments.

Minute 51.2.2 – in the second line delete “instructive” and substitute “constructive”

Minute 51.3 – in the second line delete “still” and substitute “staff”.

2. Matters Arising

2.1 Matters Arising from the Meeting of 4 February 2008 – the Committee noted a previously circulated paper detailing the matters arising from the Audit Committee meeting held on 4 February 2008, together with the actions taken and the outcomes.

2.1.1 Mr Payne advised the Committee that all the actions had been implemented and there were no specific issues to be raised.

2.2 Update on the Management of the Capital Programme – a previously circulated report on capital project reports was received.

2.2.1 Mr Graham spoke to the report and advised the Committee that work was being undertaken to ensure the project plan was more robust in both timescales and costs. He advised that training for Programme Managers and Project Boards was being set up.

2.2.2 Mr Anderson asked how national procurement framework programmes and contracts were to be managed and Mr Graham advised that the National Programme Board, of which he was a member, would be arranging this. Each NHS Board would engage for the particular projects in which it was involved and this would apply not only to the projects themselves but also the advisers.

2.2.3 In response to a question from Mr Jack, it was noted that it would be helpful for interim programme reports to be submitted to the Director of Finance. **JJ**

2.2.4 At the suggestion of the Chair, it was agreed that a summary of projects should be submitted to the Finance & Performance Review Committee for its interest. **JJ**

2.3 Update on Operation Harp – Dr Winter and Mr Miller gave the Committee a verbal update on progress with Operation Harp.

2.3.1 Mr Miller advised that the steering group would be meeting over the next few weeks and he undertook to keep Mr Matheson informed of progress. **DM**

Dr Winter and Mr Miller left the meeting.

3. Draft Minutes of the Operational Audit Sub-Committee

3.1 The Committee adopted the previous circulated draft Minutes of the meeting of the Operational Audit Sub-Committee held on 31 January 2008.

3.2 Mrs Douglas advised the Committee that a further Sub-Committee meeting had been held the previous week and further reports had been received on LORNA’s Lottery and anti-microbial prescribing.

- 3.3 It was noted that in accordance with good practice, the effectiveness of the Operational Audit Sub-Committee would be reviewed at the end of August 2008.
- 3.4 Mr Egan advised that in respect of Minute 20.3.7.5, Cllr Edie now accepted that the South Edinburgh Patient Partnership Forum members had been suspended.
- 3.5 Mr Egan also commented that attention should be given to the scope of the audit of the service provision by Haden.
- 3.6 Mr Messer advised that the audit had addressed the management and monitoring risks noted in the NHS Lothian risk register and the agreed scope. This addressed the process of monitoring which provides assurance on contractual compliance or identifies issues to be addressed by management. The expected controls were found to be in place and operating effectively.
- 3.7 Mr Matheson outlined the development of the Audit Plan and commented it would be helpful to include the context for the areas to be audited. Mr Matheson indicated that in respect of LORNA's Lottery, he had spoken to Mr Burley and external auditors had been asked to audit LORNA's Lottery. Mr Proudfoot would also be involved in the drawing up of the LORNA's Lottery annual accounts. Some difficulties had been experienced with the external provider and the use of an alternative provider was being investigated. It was likely that use could be made of the NHS Greater Glasgow and Clyde lottery providers.
- 3.8 Ms Woolman advised that she was not aware of the LORNA's Lottery request and Mr Matheson agreed to keep her abreast of developments in this area. **JM**
- 3.9 Mr Matheson confirmed that he had been provided with documentary confirmation that the Rosslynlee Hospital report had been properly approved prior to release to the Operational Audit Committee. The Committee noted that Mr Power would be taking forward the recommendations in the report in respect of Rosslynlee Hospital.
- 3.10 The Committee agreed to adopt the Minutes of the Operational Audit Sub-Committee meeting held on 31 January 2008.

4. Linkages with Other Board Committees

- 4.1 Finance and Performance Review Committee – the Committee received the previously circulated Minutes of the Finance and Performance Review Committee meetings held on 13 February and 7 March 2008.
- 4.2 Healthcare Governance and Risk Management Committee – the Committee received the previously circulated Minutes of the Healthcare Governance and Risk Management Committee meeting held on 18 December 2007.

4.3 Staff Governance Committee – the Committee received the previously circulated Minutes of the Staff Governance Committee meeting held on 30 January 2008.

4.4 The Committee noted that Mr Egan still had some concerns over the process for the resolution of areas of concern raised by the Equality and Diversity Steering Group.

5. Counter Fraud Services

5.1 Memorandum of Understanding between Internal Audit Teams of NHS Scotland Corporate Governance and Audit Group and NHS Scotland Counter Fraud Services – a previously circulated Memorandum of Understanding for co-operation between Internal Audit teams of NHS Scotland Corporate Governance and Audit Group and NHS Scotland Counter Fraud Services on the deterrent, prevention, redemption and investigation of fraud and other irregularities in NHS Scotland was received.

5.1.1 Mr Egan expressed concern at the lack of Partnership involvement and emphasised that as the Employee Director he needed to be kept informed of such matters in order for the requirements for a fully informed workforce to be satisfied.

5.1.2 Mr Matheson suggested that the agreement should also mention the Employee Director as well as the HR lead and Mr Egan advised that he could feed this suggestion back through the Scottish Partnership Forum and Mr Gordon Young.

5.1.3 The Chair reminded the meeting that this was a final document and it was not within the gift of the Committee to make changes. It was agreed that Mr Matheson would feed back the comments of the Committee to Counter Fraud Services and Mr Egan would take the matter up with the Scottish Partnership Forum.

JM/EE

5.2 Strategy to Combat NHS Fraud in Scotland – the Committee noted a previously circulated report on the recently launched national Strategy to Combat NHS Fraud.

5.2.1 It was noted that in NHS Lothian, it was proposed the Director of Finance be appointed as the Counter Fraud Champion and Mr Matheson advised that the Chair had agreed that this was an appropriate role for the Director of Finance.

5.2.2 Mr Matheson advised that whilst the role would have a significant impact at first, the impact would not be so significant after that and should simply be a part of the normal service.

5.2.3 Ms Woolman drew the Committee's attention to the Strategy to Combat NHS Fraud in Scotland. It was noted that there was no similar model in the local authority sector. A particular strength was the established partnerships between

CFS and other bodies and Ms Woolman undertook to highlight this with local authority clients.

5.2.4 Mr Anderson commented that proving fraud in a court of law was extremely difficult. Mr Young agreed to try to pursue such cases on three different levels.

5.2.5 Ms Woolman commented that the lessons learnt from the Counter Fraud Service exercises were the main benefit and the Chair suggested that it would be useful to receive reports back at the end of the year. GY

5.2.6 The Committee agreed that the Director of Finance be appointed to the role of Counter Fraud Champion.

5.3 NHS Lothian Returned Counter Fraud Services Satisfaction Survey Results – 2007/08 Cases – the Committee received a previously circulated report detailing the responses returned to the Counter Fraud Services satisfaction survey results for 2007/08. This information had been gathered to enable members to assess service levels being achieved by Counter Fraud Services on NHS Lothian investigations.

5.3.1 Mr Messer advised the Committee that HR leads and service managers were involved in the investigations and that the Committee could take assurance that the required performance was being achieved from the results of this survey.

5.3.2 The Committee agreed to note the report.

5.4 NHS Lothian NHSS Counter Fraud Services Proactive Plan April 2008-March 2009 – a previously circulated paper “Together We Can Stamp Out Fraud” the NHS Lothian and NHSS Counter Fraud Services Proactive Plan for April 2008 – March 2009 was received.

5.4.1 Mr Young spoke to the paper and emphasised that the ultimate aim of all Counter Fraud work was to support improved NHS services and that stopping losses to the public purse helped ensure that the money was deployed for the public good, as the taxpayer intended.

5.4.2 In particular, Counter Fraud Services would identify and investigate fraud in a nationally consistent, accountable and proactive manner; develop an anti-fraud culture within the NHS through publicity and education; produce Counter Fraud “Best Practice” guidelines in co-operation with NHS Boards, NHS National Services Scotland all special Health Boards and their Auditors; and work on behalf of, and in co-operation with, all health bodies.

5.4.3 Mr Young explained that Counter Fraud Services were working with the Corporate Governance Group to produce a matrix of the top five areas of fraud and would then concentrate efforts on these working with local management. It was intended that there should be a local person to network on the ground.

5.4.4 The Committee noted that an easy learning package video had been developed which could be used as part of the Board’s induction programme to advise staff

of the signs of fraud. This was free to Boards and had been well received and Mr Young would be discussing its use in Lothian with Mr Messer.

5.4.5 The Committee noted that Counter Fraud Services were seeking proactive publicity in successful cases in liaison with Health Boards and were developing information leaflets for staff and members of the public.

5.4.6 It was noted that the first point of contact with Counter Fraud Services would be the Chief Internal Auditor and training sessions would also be organised for the Non-Executive Board Members in November 2008. **IM**

5.4.7 Mr Young undertook to bring forward a paper on how fraud in various areas could be measured. **GY**

5.4.8 Mr Egan welcomed the report and emphasised that he was keen to see joint training established in Lothian.

5.4.9 The Chair thanked Mr Young and Ms Worsfold for their presentation.

6. Internal Audit

6.1 Lothian and Borders Management Audit Services: NHS Lothian Draft Operational Audit Plan 2008/09 (March 2008) – the previously circulated Draft Operational Audit Plan for 2008/09 was received.

6.1.1 Mr Messer introduced the Plan and gave further details of the corporate governance topics advising what these would involve in terms of work.

6.1.2 The Chair asked what action was being taken to take forward audit links with local authority contacts and Mr Messer advised that he would be liaising with local authorities when appropriate. In terms of conducting any joint audits, Mr Messer advised that he would be aiming to have any audits undertaken across organisations by one audit team to maintain efficiency.

6.1.3 Mr Marriott advised the Committee that the Executive Management Team had discussed the draft of the Operational Internal Audit Plan and had noted that details of the individual audits would be discussed and agreed with the relevant Directors.

6.1.4 Mr Anderson commented that this was a very helpful document and, as the Chair of the West Lothian CHCP, he was keen to have the support of Internal Audit.

6.1.5 In response to a comment from Mr Matheson on the proposed audit of Clinical Audit, Mr Messer advised that he would consult with Clinical Audit colleagues to ensure that there was no duplication of effort between the two audit services. Mr Messer highlighted that one joint audit with Clinical Audit had been included in the draft plan at Clinical Audit request. **IM**

6.1.6 The Committee agreed to approve the Operational Audit Plan for 2008/2009 with the inclusion of outcomes from the Clinical Management Teams.

7. General Corporate Governance

7.1 Corporate Governance: Statement of Internal Control (Health Finance Directorate, 14 March 2008) – the Committee noted a previously circulated letter from the Health Finance Directorate of the Scottish Government detailing guidance on the preparation of the Statement of Internal Control.

7.1.1 The Committee noted that in addition to receiving the information provided to the Chief Executive in support of the Statement on Internal Control, the Audit Committee should also consider annual reports from other standing committees confirming whether they had fulfilled their remit and that there were adequate and effective internal controls operating in their particular area of operation; details from the Chief Executive on the operation of the framework in place to ensure that they had discharged their responsibilities as accountable officer as set out in the Accountable Officer Memorandum; confirmation from Executive Directors that there were no known control issues nor breaches of Standing Orders/Standing Financial Instructions other than any disclosed within the Statement on Internal Control and summaries of any relevant significant reports by NHS Quality Improvement Scotland or other external review bodies.

7.1.2 Dr Winstanley suggested that an annual report from the Finance & Performance Review Committee confirming governance arrangements would be helpful and it was agreed that such a report should be sought from the Finance & Performance Review Committee. **JM**

7.1.3 The Committee also agreed that the Statement of Internal Control should contain details of the process whereby Executive Directors had arrived at their conclusions that there were no known control issues nor breaches of Standing Orders or Standing Financial Instructions. **RM**

7.1.4 It was agreed that Mr Payne would work with Mr Martin in gathering information to support the drafting of the NHS Lothian Statement of Internal Control from individual Directors and General Managers. **AP/RM**

7.2 NHS Lothian Annual Risk Management Report 2007-2008 – a previously circulated NHS Lothian Annual Risk Management Report for 2007-2008 was received.

7.2.1 Mr Skinner advised the Committee that this report had been prepared as part of the evidence required for the Statement of Internal Control. He advised that single system reports had been developed and outlined the work already undertaken to underpin these reports.

7.2.2 The Committee agreed to note the Annual Risk Management Report 2007-2008.

7.3 Draft Healthcare Governance & Risk Management Committee Annual Report to Lothian NHS Board 2007/08 - the Committee noted the previously circulated draft annual report to Lothian NHS Board for 2007/08 from the Healthcare Governance and Risk Management Committee.

7.3.1 Mr Egan advised the Committee that the proceedings of the Healthcare Governance & Risk Management Committee were being streamlined with the Information sessions being phased out.

7.3.2 Mr Payne undertook to take comments back to the Healthcare Governance & Risk Management Committee and a revised annual report would be submitted to the June meeting of the Audit Committee.

AP

7.4 NHS Lothian Accounting Policies – the Committee received a previously circulated paper, together with the proposed amendment accounting policies which the Committee was invited to recommend to the Board for adoption.

7.4.1 Mr Martin outlined the relatively minor changes from previous year policies and advised the Committee that there were wording changes reflecting changes to the Scottish Government Health Department Manual of Accounts following a review by the Scottish Government Health Department Technical Accounting Group.

7.4.2 Ms Woolman commented that reference to related party transactions materiality were also relevant to other bodies and might require additional material to be submitted in respect of the BioQuarter when this was operational.

7.4.3 The Committee agreed that the policies remained appropriate for the Board at the present time for the purpose of giving a true and fair view and agreed to recommend that the accounting policies be adopted by the Board.

JM

7.5 The Role of Auditors in the Transition to IFRS – the Committee noted a previously circulated report from Audit Scotland on the role of the Auditors in the transition to IFRS (International Financial Reporting Standards).

7.5.1 Mr Martin spoke to the paper and explained that the Department of Health wanted everything in a state of readiness by 2008 and that the statement would have little effect of on the way in which NHS Lothian's accounts were audited.

7.5.2 Mr Matheson emphasised that whilst the date of implementation had been put back a year, this did not reduce the Finance Department's efforts to ensure full compliance.

7.5.3 The Committee agreed to note the report.

8. Items Relating to the Audit Committee Function

8.1 Financial Reporting Council: The Audit Quality Framework – a previously circulated report produced by the Finance Reporting Council on the Audit Quality Framework was received.

8.1.1 Mr Martin introduced the paper and advised that this Audit Quality Framework was designed to support effective communication between auditors, Audit Committees, preparers, investors and other stakeholders on audit quality.

8.1.2 Ms Woolman advised the Committee that a new quality control system had come into effect in February 2007 and new internal control processes had been put into place in Audit Scotland. NHS Lothian's annual accounts for 2006/07 had been subject to a hot review, peer review and cold review.

8.1.3 Mr Matheson commented that he was reassured by this framework as "Quis custodiat ipso custodus" (who guards the guards) had always been a concern.

8.1.4 The Committee agreed to note the report.

8.2 KPMG: Ten To-Do's for Audit Committees in 2008 – a previously circulated report, together with a briefing from KPMG on Ten To-Do's for Audit Committees in 2008 was received.

8.2.1 In the comparison with the NHS Lothian Audit Committee, it was noted that the Committee's Minutes were adopted by the Board rather than homologated, as Board Committees had delegated authority.

8.2.2 Mr Matheson commented on the rigorous preparations for crises in the document and Mr Egan commented that he was on record as having expressed concerns over business continuity. As an example, as Employee Director he did not have a contact list for Executive Directors and key staff.

8.2.3 Mr Matheson undertook to pick this matter up at the Executive Management Team. JM

8.2.4 The Committee agreed that the briefing should be shared with the Operational Audit Sub-Committee and that the Audit Committee and the Operational Audit Sub-Committee should dovetail within a whole system of Audit Committee review. AP

9. Date of Next Meeting

9.1 It was noted that the next meeting of the Audit Committee would be held on Monday, 23 June 2008 at 9.00am in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 23 June 2008 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair); Ms M Ali; Mrs T Douglas and Mr E Egan (from item 17.3.4).

In Attendance: Ms D Carmichael (Associate Director of Finance); Ms L Hollis (Associate Director of Finance); Mr C Marriott (Associate Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr J Matheson (Director of Finance); Mr I Messer (Chief Internal Auditor); Mr A Payne (NHS Lothian Corporate Governance and VFM Manager); Mr P Reith (Secretariat Manager); Ms H Russell (External Auditor - Audit Scotland); Ms G Woolman (External Auditor - Audit Scotland); Mr S G Renwick (Chair-ELCHP Sub Committee) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Professor J J Barbour, Mr R Y Anderson and Mrs P Murray.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

10. Minutes of the Previous Meeting

- 10.1 Minutes of the Previous Meeting held on 7 April 2008 – the previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 7 April 2008 were approved.
- 10.2 Mr Matheson confirmed that he had forwarded the LORNA's Lottery documentation to Ms Woolman.

11. Matters Arising

- 11.1 Matters Arising from the Meeting of 7 April 2008 – the Committee noted a previously circulated paper detailing the Matters Arising from the Audit Committee meeting held on 7 April 2008, together with the action taken and the outcomes.
 - 11.1.2 The Committee agreed to note the action taken in respect of the Matters Arising.
- 11.2 Response from Counter Fraud Services - 9 April 2008 – the Committee noted the previously circulated letter from Mr N Billing, Head of Service at Counter

Fraud Services detailing the nomination of the Director of Finance as Lothian's Counter Fraud Champion.

11.2.1 Ms Woolman reported that the letter focused on promoting a wider understanding of the general point.

11.2.2 Mr Matheson advised that the key issue was how the deliberations of the Scottish Partnership Forum were picked up by individual NHS Boards. Mr Matheson undertook to pick this up with Mr Egan out with the meeting.

JM/EE

11.3 Response from Audit Scotland Public Reporting Group - 8 April 2008 (with regard to the Committee's meeting of 4 February 2008) – the Committee noted the previously circulated update from Mr Hicks, Portfolio Manager, Public Reporting Group (Health and Community Care), Audit Scotland.

11.3.1 The Committee agreed to accept the Response from the Audit Scotland Public Reporting group.

12. Linkages with Other Board Committees

12.1 Finance & Performance Review Committee - Minutes of the Meeting held on 9 April 2008 - the previously circulated Minutes of the Finance & Performance Review Committee meeting held on the 9 April 2008 were received.

12.2 Healthcare Governance & Risk Management Committee - Minutes of the Meetings held 3 March 2008 and 21 April 2008 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meetings held on the 3 March 2008 and 21 April 2008 were received.

12.3 Staff Governance & Risk Management Committee - Minutes of the Meeting held on 30 April 2008 - the previously circulated Minutes of the Staff Governance and Risk Management Committee meetings held on the 30 April 2008 were received.

13. Audit Sub-Committee Minutes

13.1 Operational Audit Sub-Committee – Draft Minutes of the Meeting held on 31 March 2008 - the previously circulated draft Minutes of the Operational Audits Sub-Committee held on the 31 March 2008 were adopted subject to any subsequent amendments made by the Sub-Committee.

13.2 Mrs Douglas updated the Committee on the progress of the Audit Plan and Corporate Governance Review. She expressed appreciation to members who had attended the re-scheduled 10 June 2008 meeting.

14. Internal Audit Reports

- 14.1 Lothian and Borders Management Audit Services – NHS Lothian – Chief Internal Auditor’s Annual Report - the Committee noted a previously circulated report from the Chief Internal Auditor providing a statement of annual audit assurance for the processes reflected in the report.
- 14.2 Mr Messer spoke to the report and indicated that the 2007/08 ratings represented were comparable to the 2006/07 report and that although some reports were still to be finalised, these were all advanced and findings had been considered when preparing the annual report.
- 14.3 The Committee agreed to accept the report.

15 External Audit Reports

- 15.1 NHS Lothian: 2007/08 Review of Internal Controls - the previously circulated NHS Lothian: 2007/08 Review of Internal Controls Report from Ms Woolman was received.
- 15.1.1 Ms Russell spoke to the report and highlighted that the key systems which had been audited were general, ledger, accounts receivable and payable, cash and bank, stores, FHS and payroll.
- 15.1.2 The Committee asked for a review of the timescale for actioning audit points as several actions had a date of September 2008 and there were recurring themes from the previous year.
- 15.1.3 It was suggested that an objective assessment of materiality and impact should be by Audit Services before ownership was handed over to Management would be particularly helpful. Ms Woolman indicated that she felt it was up to management to prioritise the findings but agreed to take the Committee’s views back to Audit Scotland .
- 15.1.4 The Committee agreed to accept the report subject to the comments discussed.
- 15.2 NHS Lothian: 2007/08 Internal Controls – Payroll - the previously circulated NHS Lothian: 2007/08 Review of Internal Controls - Payroll Report was received.
- 15.2.1 The Committee asked for a review of the timescale for actioning audit points as several actions had a default date of March 2009 and there were recurring themes from the previous year.
- 15.2.2 It was noted that the Internal Audit report would be considered at the next Operational Audit Sub-Committee meeting which Mr Boyter would attend.
- 15.2.3 Ms Hollis advised Members that guidance on new staff engagements and termination procedures for Managers had been issued.

GW

15.2.4 Ms Woolman emphasised the importance of ensuring that line managers were aware of the consequences of not implementing controls.

15.2.5 The Committee agreed to accept the report and the Chair noted that Mr Payne would pick up the various action points in the monitoring process.

AP

16. General Corporate Governance

16.1 Healthcare Governance & Risk Management Committee Annual Report – the previously circulated annual report from the Healthcare Governance & Risk Management Committee to Lothian NHS Board for the year 2007-08 was received.

16.1.1 The Committee noted that this report should have been signed by Mrs Murray as Chair of the Healthcare Governance & Risk Management Committee.

16.1.2 The Committee agreed to accept the report subject to the minor amendment to the signature.

16.1.3 Ms Ali commented that as a new member it would be helpful to have standardised reporting from Committees and Mr Payne agreed to draft templates for next year which would also allow for specific points relating to individual Committees to be raised.

AP

16.2 Annual Report of the Staff Governance Committee - the previously circulated annual report from the Staff Governance Committee was received.

16.2.1 Members noted that the annual report had not yet been signed off by the Staff Governance Committee.

16.2.2 Mr Egan agreed to forward appropriate wording for the Staff Governance Report to include reference to the breach of contract in respect of the Executive Cohort.

EE

16.2.3 It was noted that the Remuneration Committee was a Sub-Committee of the Staff Governance Committee.

16.2.4 The Committee agreed to accept the annual report subject to the minor amendments discussed.

16.3 Finance & Performance Review Committee Annual Report – the previously circulated Finance & Performance Review Committee annual report was received.

16.3.1 The Committee agreed to accept the report subject to it being signed off by Mr Anderson.

RYA

16.4 Operational Audit Sub-Committee Annual Report – the previously circulated Operational Audit Sub-Committee Annual Report was received.

- 16.4.1 The Committee agreed to accept the report subject to it being signed off by the chair of the Operational Audit Sub-Committee.
- 16.5 NSS Service Audit Reports 2007/08
- 16.5.1 NSS Service Auditor Practitioner Services Letter (20 May 2008) - the previously circulated NSS Service Auditor Practitioner Services Letter (20 May 2008) was received.
- 16.5.1.1 Mr Messer tabled a summary of PSD Audit Findings and indicated that the report confirmed that control issues identified as a result of Operation Harp had resulted in corrective action within PSD. The overall opinion on the report was however unqualified.
- 16.5.1.2 The Committee agreed to accept the report.
- 16.5.2 NSS Service Auditor Practitioner Services - Service Audit 2007/08 Executive Commentary - the previously circulated NSS Service Auditor Practitioner Services - Service Audit 2007/08 Executive Summary was received.
- 16.5.2.1 The Committee agreed to accept the NSS Service Auditor Practitioner Services - Service Audit 2007/08 Executive Summary.
- 16.5.3 NSS National IT Services - Service Audit Report Letter (20 May 2008) - the previously circulated NSS National IT Services - Service Audit Report Letter (20 May 2008) was received.
- 16.5.3.1 The Committee agreed to accept the NSS National IT Services - Service Audit Report Letter (20 May 2008).
- 16.5.4 NSS National IT Services - Service Audit Report 2007/08 Executive Summary - the previously circulated NSS National IT Services - Service Audit Report 2007/08 Executive Summary was received.
- 16.5.4.1 The Committee agreed to accept the NSS National IT Services - Service Audit Report 2007/08 Executive Summary.
- 16.5.5 NSS National Procurement - Logistics Service Audit Report Letter (20 May 2008) - the previously circulated NSS National Procurement - Logistics Service Audit Report Letter (20 May 2008) was received.
- 16.5.5.1 The Committee agreed to accept the NSS National Procurement - Logistics Service Audit Report Letter (20 May 2008).
- 16.5.6 NSS National Procurement - Logistics Service Audit Report 2007/08 Executive Summary - the previously circulated NSS Procurement - Logistics Service Audit Report 2007/08 Executive Summary was received.
- 16.5.6.1 The Committee agreed to accept the NSS Procurement - Logistics Service Audit Report 2007/08 Executive Summary.

16.6 Schedule of Losses - SFR 18.0 - the previously circulated summary of losses and payments for the year ended 31 March 2008 was received.

16.6.1 The Committee agreed to accept the Schedule of Losses.

16.7 Formal Consideration of the Resources Available to the Audit Committee - the previously circulated Formal Consideration of the Resources Available to the Audit Committee was received.

16.7.1 The Chair indicated that she was happy with the resources made available to the Committee and it was agreed to accept the Formal Consideration of the Resources Available to the Audit Committee.

17. Annual Accounts

17.1 Statement on Internal Control - a previously circulated paper, together with the draft letter Statement on Internal Control was received.

17.1.1 Mr Matheson spoke to the Statement on Internal control and the Committee noted the arrangements put in place to support the statement.

17.1.2 Following its review of the draft letter of Statement on Internal Control, the Committee agreed to support the Statement and recommend to the Board that, subject to minor corrections to the Board membership listed in the Risk and Control Framework section, the letter be signed by the Chief Executive on its behalf.

JM

17.2 Representation Letter - the Committee received a previously circulated report, together with a draft Letter of Representation to the External Auditors.

17.2.1 Following discussion, it was agreed that the statement properly represented confirmation to the External Auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2008, and to recommend to the Board that the letter be adopted, subject to minor amendments to the opening paragraph and paragraph 20 to be agreed with the Board Chair, to be signed by the Chief Executive on the Board's behalf.

JM

17.3 External Audit - Lothian NHS Board - Report to those charged with Governance on the 2007/08 Audit - a previously circulated report to those charged with governance on the 2007/08 Audit was received.

17.3.2 Ms Woolman gave a brief outline of the report noting the matters arising and their outcomes and highlighted that the audit opinion was unqualified.

17.3.3 The Committee agreed to accept the report.

17.4 Annual Accounts for the Year ended 31 March 2008 - the Committee received the annual accounts for 2007/08 and Mr Matheson went through them in detail.

- 17.4.1 Mr Matheson highlighted that financial out turn achieved in 2007/08 summarised as follows: - (Alan Payne to give detail)
- 17.4.2 Following discussion, a number of minor amendments to the annual accounts were agreed and, subject to these amendments, the Committee agreed to recommend to Lothian NHS Board that it approve and adopt the annual accounts for year ended 31 March 2008.
- 17.4.3 Mr Matheson thanked all staff within his team who had supported him in achieving the financial out turn. He also fully acknowledged the support of partnership colleagues.
- 17.5 NHS Lothian Audit Committee Annual Report and Assurance Statement to the Board - the Committee agreed to adopt the previously circulated annual report and assurance statement, with the minor amendments to the signature by the Chair.

18. Any Other Competent Business

- 18.1 Mr Messer's Resignation - The Committee noted that Mr Messer was leaving NHS Lothian to go to the Law Society for Scotland. The Committee thanked him for his contribution over the past six years and wished him well for the future.
- 18.2 Mr Matheson's Resignation – The Committee noted that Mr Matheson was leaving NHS Lothian to go to the Scottish Government, Department of Health and thanked him and his staff for their work in producing the Annual Accounts and for his contribution over the years.

Mr Matheson responded by thanking the Chair and his colleagues for their support over the years.

28. Date of Next Meeting

- 28.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 6 October 2008 at 9.00am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 6 October 2008 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair) and Mrs T Douglas.

In Attendance: Ms D Carmichael (Associate Director of Finance); Mr C Marriott (Associate Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D Miller (General Manager, Primary Care Contracts) (for item 2.2); Mr A Payne (NHS Lothian Corporate Governance and VFM Manager); Mr D Proudfoot (Acting Chief Internal Auditor); Mr P Reith (Secretariat Manager); Mr S G Renwick (Chair-ELCHP Sub Committee); Ms H Russell (External Auditor - Audit Scotland); Ms G Woolman (External Auditor - Audit Scotland); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Dr C Winstanley, Mr E Egan and Mrs P Murray.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

20. Minutes of the Previous Meeting

20.1 Minutes of the Previous Meeting held on 23 June 2008 – the previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 23 June 2008 were approved.

21. Matters Arising

21.1 Matters Arising from the Meeting of 23 June 2008 – the Committee noted a previously circulated paper detailing the Matters Arising from the Audit Committee meeting held on 23 June 2008, together with the action taken and the outcomes.

21.1.1 Mr Payne reported that the response from the Counter Fraud Services would be picked up at the next meeting. He advised in relation to a separate matter relating to the standardisation of annual reports from Board Committees, that this will be addressed at the end of the year.

21.1.2 The Committee agreed to note the action taken in respect of the Matters Arising.

21.2 Orthodontic Investigation – Mr Miller gave a brief outline of operation Harp and noted the recommendation requesting the Committee's approval to

instruct the Central Legal Office to seek a settlement within the current financial year.

- 21.2.1 Members discussed the Scottish Dental Practice Boards Investigation. They noted that the conclusion of the investigation was that as there was no evidence of deliberate fraud, no criminal proceedings had been lodged. The governance issue had been resolved positively with subsequent claims being correct.
- 21.2.2 The Committee noted that the proprietor was in discussions regarding the sale of the business and it was agreed to ask the Central Legal Office to enter into discussions with the owner's lawyers with a view to reaching a minimum settlement of £750,000, subject to approval from the Scottish Government.

DC

22. Operational Audit Sub-Committee

- 22.1 Minutes of the Operational Audit Sub-Committee – the Committee noted the previously circulated Minutes of the meeting of the Operational Audit Sub-Committee held on 10 June 2008.
- 22.2 Update on the Operational Audit Sub-Committee held on 29 September 2008 – Mrs Douglas gave a brief update of the discussions at the Operational Audit Sub-Committee meeting held on 29 September 2008. She highlighted that they would be reviewing the agenda in the near future as plans to reduce the length of the meeting had not been successful.
 - 22.2.1 The Committee noted that there were 10 outstanding audits from the 2007/08 Audit Plan and it was noted that reports on several of these had been considered at the Sub-Committee meeting.
 - 22.2.2 Mr Proudfoot indicated that the main issue was that there had been no formal escalation of the audits in the past and undertook to continue to take the audits forward.
 - 22.2.3 Mr Renwick advised that he had requested further information on pharmacy stock-checking and supplier performance monitoring.

23. Linkages with Other Board Committees

- 23.1 Finance & Performance Review Committee - Minutes of the Meetings held on 11 June 2008 and 13 August 2008 - the previously circulated Minutes of the Finance & Performance Review Committee meeting held on the 11 June 2008 and 13 August 2008 were received.
- 23.2 Healthcare Governance & Risk Management Committee - Minutes of the Meetings held 16 June 2008 and 18 August 2008 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meetings held on the 16 June 2008 and 18 August 2008 were received.

23.3 Staff Governance Committee - Minutes of the Meeting held on 30 July 2008 - the previously circulated Minutes of the Staff Governance Committee meetings held on the 30 July 2008 were received.

23.3.1 Ms Douglas queried if the Staff Passport would be equality impact assessed. Members agreed that this would be fed back to Mr Boyter outwith the meeting.

DC

24. Counter Fraud Services

24.1 NHS Scotland Counter Fraud Services – Quarterly Report June 2008 – the previously circulated NHS Scotland Counter Fraud Services – Quarterly Report June 2008 was received.

24.2 Mr Proudfoot spoke to the report and highlighting the referral alerts, Operation Renee, Operation Globe, the territorial NHS Boards Graph, CFS Fraud Conference and the update from the European Healthcare Fraud and Corruption Network.

24.3 The Committee noted the proposed proactive audits on corporate credit and fuel cards for next year and queried whether the meetings with Board colleagues had taken place. Mr Proudfoot reported that he was not aware of any meetings with Counter Fraud Services and Board colleagues.

24.4 Mr Proudfoot agreed to forward further information on the CFS Fraud Conference to the Committee members.

DP

24.5 Mr Renwick queried the document's "restricted" investigation status, and asked if zero tolerance to fraud had been communicated to staff and whether there was an NHS Lothian Anti-Fraud and Theft Policy to facilitate the zero tolerance approach.

24.6 Mr Proudfoot agreed to check the status of the report with Counter Fraud Services and take forward the communication of the zero tolerance approach. The joint Counter Fraud Services and NHS Lothian Anti-Fraud and Theft policy was in place, although further work on raising awareness was required.

DP

24.7 Mr Payne suggested that further work on raising awareness of zero tolerance could be facilitated by the Counter Fraud Champion.

24.8 Ms Carmichael commented that the number of cases was low given the size of the organisation. She proposed benchmarking against Boards in England to check whether this figure was an accurate reflection of activity.

24.9 The Committee discussed the difficulty in getting money back from misclaiming and fraud operations and the potential to build in fraud proofing in the current systems in place.

24.10 Mr Proudfoot advised that the partnership agreement with the Counter Fraud Services would be reviewed in the near future.

24.11 The Committee agreed to accept the report.

25. Internal Audit Reports

25.1 2008/09 Operational Audit Plan – Revisions and Progress - the Committee noted the previously circulated 2008/09 Operational Audit Plan.

25.2 Mr Marriott advised that it was not practical to take the fixed asset verification forward until the weaknesses in the NHS Lothian process had been addressed by the implementation of a formal programme. He agreed to continue moving the fixed asset verification forward.

25.3 The Committee agreed to accept the report and approve the changes to the operational audit plan.

26 External Audit Reports

26.1 Audit Scotland: NHS Lothian – Report on the 2007/08 Audit, July 2008 – the previously circulated Audit Scotland - NHS Lothian Report on the 2007/08 Audit, July 2008 was received.

26.2 Ms Woolman gave a brief outline of the report, highlighting that the audit certificate had been issued and the NHS Lothian report on the 2007/08 Audit would go to the Lothian NHS Board in the near future.

26.3 Mr Renwick expressed his concerns regarding the tone of the document in relation to NHS Lothian's financial position, the in-year deficit of £4.3 Million and how this could be perceived. Ms Woolman agreed to feed this back to her colleagues.

26.4 It was noted that it was standard practice for the report to be finalised by officers without going to any Committee. Members suggested that an Executive Director should be the responsible officer for the report.

26.5 Members agreed that the references to Citistat meetings might need to be amended subject to the outcome of the meeting on 8 October 2008.

26.7 Mrs Douglas queried how the HEAT Targets would link in with the Single Outcome Agreements if they were not subject to audits. Ms Woolman advised that Audit Scotland will be engaging in work in the near future.

26.8 The Chair thanked Ms Woolman for her report.

27. Corporate Governance

27.1 Audit Scotland: Technical Bulletin 2008-2 (June 2008) – the previously circulated Audit Scotland; Bulletin 2008-2 (June 2008) from Mr Martin was received.

27.2 Mr Martin gave a brief outline of the report and highlighted the challenging 28 November 2008 deadline for the revised opening balance sheet and 30th November 2009 deadline for the shadow accounts.

27.3 The Committee noted the relevant highlights in the technical bulletin.

27.4 Mr Renwick suggested that it would be useful to receive a presentation on the Scottish Future Trust when the information was available.

28. Reports for Information

28.1 Audit Scotland: Annual Report 2007/08 – the previously circulated Audit Scotland Annual Report 2007/08 from Ms Woolman was received.

28.1.1 Ms Woolman introduced the report and noted that there was ongoing dialogue on the website to reduce scrutiny.

28.1.2 The Committee agreed to accept the report.

28.2 Audit Scotland: Review of Major Capital Projects in Scotland: How Government Works, June 2008 – the previously circulated Audit Scotland: Review of Major Capital Projects in Scotland: How Government Works, June 2008 report was received.

28.2.1 Mr Payne advised that the Operational Audit Sub-Committee had considered the report in detail, and asked that the best practice report be shared with the capital planning and programme management committees for implementation.

28.2.2 The Committee highlighted the expense of reproducing the Audit Scotland reports in Colour. Ms Woolman noted that she was aware of this issue and agreed to feed it back to her colleagues.

GW

28.3 Audit Scotland: Review of new General Medical Services Contract, July 2008 – the previously circulated Audit Scotland: Review of new General Medical Services Contract, July 2008 Report from Mr Payne was received.

28.3.1 The Committee noted that a number of points had been raised at the Operational Audit Sub-Committee and would be taken forward in the near future.

29. Action Plan from Audit Committee

29.1 Mr Payne gave a brief outline of the report and highlighted the recommendation to invite members to review the action plan and offer any suggestions on developing the action plan further.

29.2 The Committee agreed that the Non-Executives would hold a meeting discuss the action plan and consolidate actions. Mr Payne agreed to arrange the meeting and draft an agenda with Ms Jamie and Mrs Douglas.

AP/LJ/TD

30 Any Other Competent Business

- 30.1 Appointment of new Chief Internal Auditor – Ms Carmichael noted that Mr Woods had been appointed as Chief Internal Auditor for NHS Lothian. An induction programme had been identified and would include time with Mrs Douglas, Ms Jamie and Ms Russell.

31. Date of Next Meeting

- 31.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 8 December 2008 at 9.00am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 2 February 2009 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair), Mr E Egan and Mr S Renwick.

In Attendance: Ms S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D Miller (General Manager, Primary Care Contracts) (for item 7.1); Mr A Payne (NHS Lothian Corporate Governance and VFM Manager); Mr D Woods (Chief Internal Auditor); Ms H Russell (External Auditor - Audit Scotland); Ms G Woolman (External Auditor - Audit Scotland); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr C Marriott, Ms L Hollis, Mr D Belfall and Mrs T Douglas.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Mr Egan declared that he had been involved in Operation Renee outlined in item 7.5.

The Chair welcomed Ms Goldsmith and Mr Woods to their first meeting of the Audit Committee.

32. Minutes of the Previous Meeting

32.1 Minutes of the Previous Meeting held on 6 October 2008 – Mr Renwick highlighted that item 24.5 should be separated to clarify the two points he had raised. The first point related to whether Counter Fraud Services was content that documents branded restricted could be accessed by the public. Mr Woods reported that identifiable information is removed from Counter Fraud Services' reports prior to wider circulation.

32.2 The second point related to communication of the zero tolerance approach to fraud. He advised that this and the whole subject of fraud had been discussed in detail at the Operational Audit Sub-Committee.

32.3 The Committee agreed to adopt the previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 6 October 2008 subject to the suggested amendments.

33. Matters Arising

33.1 Matters Arising from the Meeting of 6 October 2008 – the Committee noted a previously circulated paper detailing the matters arising from the Audit Committee meeting held on 6 October 2008, together with the action taken and the outcomes.

33.1.1 The Committee agreed to note the action taken in respect of the Matters Arising.

34. Operational Audit Sub-Committee

34.1 Minutes of the Operational Audit Sub-Committee held – the Committee noted the previously circulated minutes of the meetings of the Operational Audit Sub-Committee held on 29 September 2008 and 1 December 2008.

34.1.1 The Committee noted that the new Senior Auditor had received an earlier induction date and was progressing well. Mr Egan reported that the frequency of induction sessions was defined by the number of new staff entering the organisation. Further work on increasing the number of inductions would be taken forward by Mr Egan and Mr Boyter.

34.1.2 Mr Egan clarified that there had been two Child Protection Advisors appointed; however NHS Lothian did not have all the advisors they aspired to employ.

34.1.3 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meetings held on 29 September 2008 and 1 December 2008.

34.2 Update on the Operational Audit Sub-Committee held on 26 January 2009 – Mr Renwick gave a brief update of the discussions at the Operational Audit Sub-Committee meeting held on 26 January 2009. He highlighted that the meeting took place at a new location, namely the Boardroom at the Royal Infirmary of Edinburgh, and that a dedicated section of the agenda focused on fraud. The minutes would be presented at the next meeting of the Committee.

35. Linkages with Other Board Committees

35.1 Finance & Performance Review Committee - Minutes of the Meetings held on 8 October 2008 and 10 December 2008 - the previously circulated minutes of the Finance & Performance Review Committee meeting held on the 8 October 2008 and 10 December 2008 were received.

35.1.1 Mr Egan highlighted concerns that he had been asked to make a decision regarding the 5 agreed companies for the re-provision of hospitals without full knowledge of the criteria, in particular the fee structures. Ms Goldsmith agreed to look into this issue out with the meeting and feed back the outcome to Mr Egan.

35.1.2 The Committee agreed to adopt the minutes of the Finance and Performance Review Committee held on the 8 October 2008 and 10 December 2008.

SG

35.2 Healthcare Governance & Risk Management Committee - Minutes of the Meetings held 27 October 2008 and 15 December 2008 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meetings held on the 27 October 2008 and 15 December 2008 were received.

35.2.1 The Committee discussed incident reporting in detail and the lack of a mechanism for monitoring closure of some issues. Mr Woods agreed to consider this matter for future audit work.

35.2.2 The Committee agreed to adopt the minutes of the Healthcare Governance and Risk Management held on 27 October 2008 and 15 December 2008.

35.3 Staff Governance Committee - Minutes of the Meeting held on 29 October 2008 - the previously circulated minutes of the Staff Governance Committee meetings held on the 29 October 2008 were received.

35.3.1 Members discussed the lack of NHS Lothian representation at the National Evaluation Committee and concerns regarding how terminology in Agenda for Change job descriptions could increase future equal pay claims. The committee agreed that Agenda for Change should be included in the 2009-10 audit plan.

35.3.2 Mr Egan advised the Committee that a generic library of job descriptions would be implemented in the near future. He agreed to take the library forward out with the meeting and feedback to the committee on its progress.

EE

35.3.3 The Committee agreed to adopt the minutes of the Staff Governance Committee meeting held on 29 October 2008.

36. Primary Care – Orthodontist Case

36.1 Mr Miller gave a brief outline of the case highlighting that the Central Legal Office had advised that an offer was imminent; once received Ms Goldsmith and Mr Miller would consider how to proceed. The committee discussed the various options available to the Board. They noted that the Central Legal Office had advised if no suitable offer was received, that the way forward would be to raise a disciplinary action which would be referred to another Health Board for review including sampling cases to confirm any pattern over the previous years. If upheld, the recommended level of recovery and NHS Lothian's position would be strengthened.

36.2 Mr Egan highlighted concerns that the Board had agreed that the way forward was going to court, and that any change in position should be fed back to the Board.

36.3 The legal status of the orthodontist was questioned, especially whether the subject is a limited company. If so, the limited company might divest assets leaving no funds available to meet any claim. Mr Miller provided reassurance that he perceived no risk of the company selling off its assets; however he

agreed to carry out Mr Renwick's proposed further research through Companies House.

DM

- 36.4 The Committee noted that Mr Miller had contacted Greater Glasgow & Clyde NHS Board to ensure that they were aware of the orthodontist case prior to receiving the disciplinary case.
- 36.5 Members were advised that the orthodontic practice had not been allowed to carry on without any penalties, and payments had been stopped until working practices were amended, resulting in £50 – 60k being withheld.
- 36.6 The Committee was advised that the payment verification processes were being considered for future audit plans, and Counter Fraud Services might review this topic nationally.

Mr Miller left the meeting.

37. Internal Audit Reports

37.1 Internal Audit Plan – January 2009 - the Committee noted the previously circulated Internal Audit Plan – January 2009.

37.1.1 Mr Woods gave a brief overview of the internal audit plan highlighting that there were 54 audits in total, and 10 final reports had been issued. Sickness absence was highlighted as an ongoing contributor to limited progress, but sickness absence cases are being taken forward individually as appropriate. The internal audit team is now at full complement, and temporary staff have been employed to help complete the current year's plan.

37.1.2 The Committee discussed concerns that Internal Audit proposed to postpone or cancel a number of audits from the 2008-09 plan. Mr Woods highlighted that Internal Audit is not in a position to take these audits forward in the current year. Mr Woods agreed that the audits not progressed this year would be carried over into the 2009-10 plan.

37.1.3 The Committee also discussed whether the audit of Lorna's Lottery on the current year's plan was appropriate. The Committee discussed the relationship between NHS Lothian and Lorna's Lottery. Ms Goldsmith agreed to draft a paper for the next meeting describing the issues relating to Lorna's Lottery, and whether or not recognised issues have been concluded.

SG

37.1.4 The Committee agreed to approve the changes to the internal audit plan.

37.2 Internal Audit - Draft Annual Plan 2009/10 – the Committee noted the tabled Audit Universe Risk Ranking documents from Mr Woods.

37.2.1 Mr Woods introduced the draft audit universe risk-ranking documents and outlined the process for allocating the level of risk to each audit. For now, Internal Audit is focusing on the operational plan, and the rolling strategic plan will be produced later. Ms Jamie suggested including dates in the audit plan, and requested that members receive updates on the plan throughout

the year. Mr Woods advised that the audit plan would indicate quarters for each audit, and more specific timescales would be given in the terms of reference for each audit. Also, Mr Woods advised that he is considering improvements in Internal Audit's update reporting to the Audit Committee including the structure, content and format of the reports. Within that document, Mr Woods intends to provide clearer updates on progress against the audit plan.

37.2.2 Mr Payne queried whether the criteria for risk-ranking the audit universe were weighted. Mr Woods advised that he was keen to ensure the process was not unnecessarily complex, but the system of applying scores for each risk criteria introduced weighting inherently through the definitions used in the scoring matrix.

37.2.3 Ms Goldsmith suggested that the audit universe should be sense-checked against the corporate risk register. Mr Woods confirmed that he had reviewed the risk register when constructing the audit universe, and intends to refer back to the risk register again. Ms Goldsmith and Mr Woods agreed to discuss any aspects further out with the meeting.

37.2.4 The Committee discussed the staff sickness issues in Internal Audit and what corporate support could be provided. Ms Goldsmith agreed to take this forward with Mr Egan and Mr Boyter out with the meeting.

SG/EE/AB

37.3 NHS Cost Recovery Scheme (2008-38), January 2009 – the Committee noted the previously circulated NHS Cost Recovery Scheme (2008-38) January 2009 report, and also the related update memo from Mr Woods.

37.3.1 The Committee discussed the background to the information in the Internal Audit Report and inconsistencies between the information the Compensation Recovery Unit (CRU) has provided to Internal Audit and Finance. Finance is investigating further with CRU to clarify the position and ensure processes are effective in future.

37.3.2 Mr Egan queried why the organisation was not claiming for loss of earnings when staff are absent from work following road-traffic accidents, and staff have placed injury claims against insurance companies. Ms Goldsmith agreed to look into claiming loss of earnings through the insurance companies out with the meeting and feedback to the Committee.

SG

37.3.3 Mr Martin questioned whether the Committee would receive an updated version of the audit report. Mr Woods advised that the report would not be reissued as uncertainty clearly exists around the process, and the overall opinion of "unsatisfactory" remains. Ms Goldsmith concurred with this view.

38. External Audit Reports

38.1 Financial Management: Best Value - Use of Resources – the previously circulated Best Value – Use of Resources Report was received.

- 38.1.1 Ms Russell gave a brief outline of the report, highlighting that the report was a pilot, and highlighting the 5 areas of financial management and levels of audit assessment that had been applied. She also noted the examples of good practice within the document.
- 38.1.2 The Committee noted that NHS Lothian would be able to develop an action plan which will address the development areas identified. Mr Payne agreed to take the development of an action plan forward with finance colleagues. Once developed, Audit Scotland would follow-up the plan in future years.
- 38.1.3 Members discussed how best value could be applied to the local authorities given that the 4 local authorities were separate organisations and didn't work under single system.
- 38.1.4 Ms Jamie requested assurance from Ms Goldsmith that there was a clear strategy for developing the Finance function (e.g. training plans, succession planning and development capacity). Ms Goldsmith advised that Finance has a training board in place, and that the rollout of the Knowledge Skills Framework supports staff development generally. Furthermore the Committee was advised that the Finance directorate is hosting a national trainee. Further issues would however be considered in light of the benchmark standards suggested in the report.
- 38.1.5 Ms Woolman advised that the report would be supplemented in future years by the application of further toolkits covering such areas as efficiency, information management and procurement.
- 38.1.6 The Committee agreed to accept the Best Value – Use of Resource Report from Ms Russell and Ms Woolman.
- 38.2 NHS Lothian Review of Internal Audit 2008-09 – the previously circulated letter on the Review of Internal Audit 2008-09 was received.
- 38.2.1 The letter concludes that the internal audit service operates generally in accordance with NHS Internal Audit Standards and has sound documentation standards and reporting procedures in place. Ms Woolman expressed reservations that the provision for internal quality reviews had not been progressed prior to the departure of the former Chief Internal Auditor. She noted that there was a risk that without formal quality reviews weakness in the audit process may not be identified which could impact on the value added to NHS Lothian. Mr Woods is currently reviewing all processes and procedures and advised that action will be taken to address this issue.
- 38.2.2 The Committee agreed to accept the Review of Internal Audit 2008-09 letter from Ms Woolman.
- 38.3 Audit Scotland: Priorities & Risk Framework: A National Planning Tool for 2008-09 - the previously circulated report from Audit Scotland on Priorities and Risk Framework: A National Planning Tool for 2008-09 was received.

- 38.3.1 Ms Woolman introduced the report highlighting the recent workshop attended by both external auditors and NHS Lothian staff. She stressed that one of the aims of the document was not to duplicate the work of Quality Improvement Scotland.
- 38.3.2 Mr Renwick expressed concerns that action had not been taken to build liability or cap equal pay claims to ensure that NHS Lothian did not become under significant financial pressure.
- 38.3.3 Members discussed whether the Audit Committee should receive updates from the Equal Pay Unit. Ms Goldsmith agreed to take this forward, and provide an update to both the Audit Committee and Staff Governance Committee.
- 38.4 External Audit Annual Plan 2008-09 – the Committee noted the External Audit Annual Plan 2008-09 and the information therein.
- 38.4.1 Ms Woolman gave a brief outline of the report highlighting the review and assessment of NHS Lothian’s governance and performance in a number of key areas including adequacy of internal audit, internal controls within the main financial systems, information management, efficiencies, the staff governance action plan, a targeted your business @ risk staff survey, control arrangements in relation to the e-financials ledger system, data handling arrangements and the 2008-09 national fraud initiative arrangements.
- 38.4.2 Members noted that Audit Scotland would provide a letter for the review of restatement of 2008 opening balances, based on IFRS on 23 February 2009.
- 38.4.4 The Committee discussed the contents of the report and agreed that Ms Woolman and Ms Goldsmith would discuss summarising and incorporating the contents from Audit Scotland letters for the next meeting.
- 38.4.5 Mr Egan expressed concerns regarding the extent of work and value of payments to Audit Scotland. Ms Woolman noted that NHS Lothian had asked for specific reassurance on various occasions, and reviews under two different accounting schemes had taken place. In response to questions, Ms Goldsmith confirmed that it was NHS Lothian’s responsibility to propose the accounting treatment and the External Auditors role to advise NHS Lothian whether the treatment was appropriate.
- 38.4.6 Mr Martin reported that the last submission of unaudited financial statements with the working papers package would be completed by 11 May 2009.
- 38.5 Financial Overview of the NHS in Scotland 2007/08 (December 2008) – the previously circulated report on the Financial Overview of the NHS in Scotland 2007/08 (December 2008) was noted.
- 38.6 Programme of Performance Audits 2009-10 – the previously circulated report on the Programme of Performance Audits 2009-10 was received.

SG

GW/SG

GW

38.6.1 Mr Egan requested that Learning Disabilities be included in the programme for performance audits. Ms Woolman agreed to feed back Mr Egan's request to her colleagues.

38.7 Audit Scotland: Review of Palliative Care Services in Scotland, August 2008 – the previously circulated report from Audit Scotland on Review of Palliative Care Services in Scotland, August 2008 was received. The report had previously been considered by the Operational Audit Sub-Committee, and was noted by the Committee for information.

38.8 Audit Scotland: Day Surgery in Scotland - Reviewing Progress, September 2008 – the previously circulated report from Audit Scotland on Day Surgery in Scotland – Reviewing Progress, September 2008 was received.

39. Corporate Governance

39.1 Audit Scotland: Technical Bulletins 2008-3 & 4 (September & December 2008) – the previously circulated Audit Scotland; Bulletin 2008-3 & 4 (September and December 2008) from Mr Martin was received.

39.1.2 Mr Martin gave a brief outline of the report and highlighted that the linked documents in items 4.4 and 4.6 in hard copy and item 5.5 should read “to prevent download to unauthorised mobile storage media”. The Committee agreed that the documents should be circulated for their information.

RM

39.1.3 The Committee noted the relevant highlights in the technical bulletin.

39.1.4 Ms Jamie queried what the timescales were for PWC's project on International Financial Reporting Standards. Mr Martin advised that Phase 1 was complete, phase 2 would be completed by end of 2009 in preparation for 2009-10, and phase three should be complete by end of November 2009 however it had the potential to run until June 2010.

39.2 Revised Guidance on the Statement of Internal Control – the previously circulated report on Revised Guidance on the Statement of Internal Control from Mr Martin was received.

39.2.1 Mr Martin gave a brief outline of the report and highlighted that the most significant change to the SIC guidance was the requirement for the Chair of the Health Board Audit Committee to send to the Chair of the Scottish Government Health and Wellbeing Audit Committee advice on any governance matters that inform and or provide assurance on the governance of NHS Scotland to its chief accountable officer.

39.2.2 Mr Payne noted that the chair already writes an annual letter to the Health Directorate Audit Committee, highlighting any significant issues, frauds, or matters of wider interest, and queried whether this would be additional correspondence. Mr Martin agreed to clarify this point.

RM

39.2.3 The Committee noted that the new SIC Guidance had not been raised at Technical Accounting Group.

39.3 International Financial Reporting Standards Update – the committee noted the previously circulated International Reporting Standards update and the additional work required in the production of the shadow accounts.

39.3.1 The Committee noted that Audit Scotland would review and report whether there was substantial additional work required to produce a compliant set of shadow accounts.

39.4 NHS Scotland Counter Fraud Services Quarterly Report September 2008 – the previously circulated NHS Counter Fraud Services Quarterly Report, September 2008 was received.

39.4.1 Mr Woods gave a brief outline of the report highlighting that Operation Renee was the only operation mentioned in the report that related to NHS Lothian. The Operational Audit Sub-Committee has approved a fraud working group to be formed. Counter Fraud Services has designated March as Fraud Awareness Month. Events are to be held at the Royal Infirmary of Edinburgh and St John's Hospital, Livingston, supported by an article in Connections and mention in Team Brief.

40.1 Any Other Competent Business

40.1.1 No matters were raised.

41. Date of Next Meeting

41.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 6 April 2009 at 9.00am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

AUDIT COMMITTEE

6 APRIL 2009

ACTION NOTE

Topic	Decision	Action By
Primary Care Orthodontist Case	<ul style="list-style-type: none">• Take up issues with PSD outwith the meeting	SG
IFRS restated balance sheet as at 1 April 2008	<ul style="list-style-type: none">• Pick up issue of not disclosing the unquantifiable figures for equal pay claims and the implications for NHS Lothian at a national level	SG
Sick Pay Costs	<ul style="list-style-type: none">• Investigate the claiming of sick pay costs from employers.	AP
Lorna's Lottery	<ul style="list-style-type: none">• Take forward discussions regarding the transfer of funds to the exchequer account from endowments and the holiday apartments with executive colleague	SG
Counter Fraud Action Group	<ul style="list-style-type: none">• Discuss the approach for the Counter Fraud Action Group	DW/AP
Health Service Targets	<ul style="list-style-type: none">• Discuss signing off priorities aligned with Health Service targets within the SOAs and the personal accountability issues attached to Board members signing up to the whole document with Audit Scotland	LJ/SG
Internal Audit - Annual Plan 2009/12	<ul style="list-style-type: none">• Discuss the scope of the audit nearer the time with the Director of Facilities• Advise the Executive Management Team that the Health Visitor and District Nursing audit would be deferred to 2010-11• Ensure that agreed that the Patients' Records Management audit would consider concerns regarding the capacity of the Health Records function to deal with amendments and the potential impact on waiting times.	DW/SG SG DW
Patients Funds Annual Accounts	<ul style="list-style-type: none">• Clarify whether incapax meetings were being conducted as required	SG

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 6 April 2009 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair), Mr E Egan and Mr S Renwick, Mrs T Douglas.

In Attendance: Ms S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D Miller (General Manager, Primary Care Contracts); Mr A Payne (NHS Lothian Corporate Governance and VFM Manager); Mr D Woods (Chief Internal Auditor); Ms H Russell (External Auditor - Audit Scotland); Ms G Woolman (External Auditor - Audit Scotland); Dr A McCallum (Director of Public Health and Health Policy) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Professor Barbour.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Mr Egan declared that he had been involved in the Equal Pay Claims.

42. Primary Care Orthodontist Case

- 42.1 Mr Miller gave a brief update of the case highlighting the progress to date. An offer of £250K had been made but was considered insufficient. Central Legal Office had been mandated to have a follow up meeting with the contractor's lawyer and it was anticipated that a revised offer would be forthcoming.
- 42.2 Mr Egan reiterated his concerns that the Board had agreed that the way forward was going to court, and that any change in position should be fed back to the Board. He noted that he was content to take advice from the Director of Finance however the authority and accountability lay with the Board.
- 42.3 The Committee discussed the unsatisfactory outcome of the agreed research through Companies House noting that the task had been delegated to the Central Legal Office due to a lack of internal capacity.
- 42.4 Members were advised that the Orthodontist had not been allowed to carry on without any penalties, and payments had been stopped until working practices were amended resulting in £170k being withheld; £100k being related to current investigations.

- 42.5 Ms Goldsmith reported that PSD had failed to pick up the irregularities whilst processing the claims and changes to the payment arrangements. She agreed to take these issues up with PSD out with the meeting. SG
- 42.6 Dr McCallum advised the Committee that each Dentist within a Body Corporate was personally liable and that the Discipline Committee should look formally at each individual's conduct. Members noted that a precedent for disciplinary action against individuals had already been set in England.
- 42.7 Ms Goldsmith provided reassurance that the Central Legal Office had been instructed to go for full recovery and acknowledged that the decision on taking court action had not been fulfilled; once court action was initiated the opportunity to negotiate would be lost.
- 42.8 Ms Jamie advised that a special Board meeting had been scheduled for 29th April 2009 to discuss this case further and at that meeting clarification would be required on the legal status, cost of additional evidence, support from the Scottish Government, the offer, outcome of reference group and the implications of court action.
- 42.9 The Committee agreed to support Ms Goldsmith's recommendation to wait for the revised offer; once received Mr Miller and Ms Goldsmith would hold discussions at executive level to agree a way forward.

Dr McCallum and Mr Miller left the meeting.

43. Presentation on International Financial Reporting Standards

- 43.1 Mr Martin gave a brief presentation on International Financial Reporting Standards highlighting what IFRS is, who wants the change, when the switch will take place, how the transfer would be managed and where the difference will be noticeable.
- 43.2 The Committee noted that the main issue would be the lease and rental revenue charges; further work to ensure that all leases/ rental revenue charges were captured during the transition to IFRS was required. The Committee discussed the benefits of procuring leased items, best value for money in acquisitions and the consideration of whole life costs as part of that process.
- 43.3 Members queried whether there was confidence in the work done and whether there was sufficient internal capacity to carry out future work. Ms Goldsmith reassured members that it was PWC's role to interpret IFRS for the NHS and praised the progress Mr Martin had made with colleagues.
- 43.4 Ms Goldsmith highlighted that the Finance Department would engage further work on the scheme of delegation in the near future.

44. IFRS Opening Balance Restatement

- 44.1 IFRS restated balance sheet as at 1 April 2008 –the previously circulated report on IFRS restated balance sheet as at 1 April 2008 was received. Ms Russell gave a brief overview of the report highlighting her appreciation for Mr Martin's support and that work was still ongoing.
- 44.2 Mr Martin reassured the Committee that NHS Lothian was on course to implement the recommendations; the only outstanding issue was Westerhailes.
- 44.3 The Committee discussed the concerns regarding not disclosing the unquantifiable figures for equal pay claims and the implications for NHS Lothian. Ms Goldsmith advised that this issue should be picked up at a national level.
- 44.4 Audit Opinion on 2008/09 UK GAAP Accounts – the committee noted the previously circulated Audit opinion on 2008/09 UK GAAP Accounts from Mr Martin.

SG

45. Minutes of the Previous Meeting

- 45.1 Minutes of the Previous Meeting held on 2 February 2009 – the Committee agreed to adopt the previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 2 February 2009 subject to the following amendments:
- Item 38.3.2 – Mr Renwick requested that this item was amended to state that he was concerned that action had not been taken to account for a liability or cap equal pay claims to ensure that NHS Lothian did not become under significant financial pressure.
 - Item 38.4.5 – the Committee requested that this item be clarified to state that Mr Egan queried why some financial advisers had been employed to carry out the same duties on more than one occasion. .

46. Matters Arising

- 46.1 Matters Arising from the Meeting of 2 February 2009 – the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 2 February 2009, together with the action taken and the outcomes.
- 46.2 Mr Egan noted that there had been some miscommunication regarding action 6; he had proposed that the patients could approach insurance companies to claim the sick pay costs borne by NHS Lothian and then pass them on to their employer. Mr Payne agreed to investigate this matter out with the meeting.
- 46.3 Mr Goldsmith advised the Committee that the Lorna's Lottery paper had been deferred to the next meeting. In the meantime she agreed to take forward

AP

discussions regarding the transfer of funds to the exchequer account from endowments and the holiday apartments with executive colleagues.

SG

- 46.4 The Committee agreed to note the action taken in respect of the Matters Arising.

47. Operational Audit Sub-Committee

- 47.1 Minutes of the Operational Audit Sub-Committee held – the Committee noted the previously circulated minutes of the meetings of the Operational Audit Sub-Committee held on 26 January 2009.

- 47.1.1 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meetings held on 26 January 2009.

- 47.2 Update on the Operational Audit Sub-Committee held on 26 January 2009 – Mr Renwick gave a brief update of the discussions at the Operational Audit Sub-Committee meeting held on 26 January 2009. He highlighted that the Committee had maintained their focus on anti-fraud. Also Mr Stirton, Chief Internal Auditor, The City of Edinburgh Council, had attended the meeting.

- 47.2.1 Mr Woods gave a brief update on the NHS Cost Recovery Scheme report reviewed at the previous meeting. Mr Woods highlighted that subsequent investigation by Finance had shown that the audit report had been correct in identifying the significant number of cases that had missed the cut-off period.

- 47.2.2 Mr Woods agreed to liaise with Mr Payne to discuss the approach for the Counter Fraud Action Group out with the meeting. .

DW/AP

48. Linkages with Other Board Committees

- 48.1 Finance & Performance Review Committee - Minutes of the Meetings held on 11 February 2009- the previously circulated minutes of the Finance & Performance Review Committee meeting held on the 11 February 2009 were received.

- 48.1.1 The Committee discussed signing off priorities aligned with Health Service targets within the SOAs and the personal accountability issues attached to Board members signing up to the whole document; Ms Woolman agreed to discuss these issues with her colleagues.

GW

- 48.2 Healthcare Governance & Risk Management Committee - Minutes of the Meetings held 3 February 2009 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meetings held on the 3 February 2009 were received.

- 48.2.1 There were discussions regarding clinical risks and governance issues. With respect to the Statement on Internal Control there is a need for the Healthcare Governance and Risk Management Committee to be able to provide assurance to this Committee that the organisation's policies and procedures are effectively applied in practice. The discussion highlighted

examples where this was not the case. Ms Jamie and Ms Goldsmith agreed to take this issue forward out with the meeting.

LJ/SG

49. Internal Audit Reports

49.1 Internal Audit – March 2009 - the Committee noted the previously circulated Internal Audit update paper.

49.1.2 The Committee noted the progress report on the 2008/09 internal audit plan.

49.2 Internal Audit - Annual Plan 2009/12

49.2.1 Mr Woods introduced the draft audit plan highlighting how the audits were prioritised using Internal Audit's risk ranking criteria. Also, the plan complies with earlier instructions from the Committee to include any audits postponed from the 2008/9 audit plan, and incorporates other management requests.

49.2.2 Following discussion at the previous meeting of the Committee, Ms Jamie asked that incident reporting be included in the audit plan. Mr Woods undertook to include incident reporting in the audit plan.

49.2.3 Ms Jamie asked for the Hospital Catering to be brought forward into the 2009/10 audit plan. Mr Woods undertook to move the audit. Ms Goldsmith suggested that she and Mr Woods discuss the scope of the audit nearer the time with the Director of Facilities.

DW/SG

49.2.4 It was suggested that an audit should look at food costs for staff restaurants, and Ms Goldsmith suggested this topic for one of the Best Value reviews listed on the audit plan.

49.2.5 In response to bringing Hospital Catering forward, the Committee agreed that the Health Visitor and District Nursing audit would be deferred to 2010-11: Ms Goldsmith will advise the Executive Management Team as District Nursing had been added to the audit of Health Visiting following a request by the Executive Management Team.

SG

49.2.6 Mr Egan highlighted concerns regarding the capacity of the Health Records function to deal with amendments and the potential impact on waiting times. Mr Woods agreed that the Patients' Records Management audit would consider concerns raised by Mr Egan.

DW

49.2.5 Mr Egan asked for the audit of Primary Care Contractors – Payments & Contracts to be brought forward in the 2009/10 plan from Q3 to Q2. Mr Woods undertook to move the audit forward.

49.2.7 Subject to the instructed amendments, the Committee approved the Internal Audit Plan for 2009/10.

Ms Douglas left the meeting

50. External Audit Reports

50.1 Updated Best Value Baseline Information – the previously circulated Update on Best Value was received. Ms Woolman gave a brief outline of the report highlighting that she was content to take questions from the Committee given the time frame of the meeting.

50.1.1 Mr Egan expressed concerns that the joint working findings misrepresented the current situation. Ms Woolman responded stating that there had been significant discussions with management to clarify the definition, evidence had been provided and the narrative highlighted Mr Egan's concern. She then thanked Mr Egan for his feedback and proposed extending the circulation list for future reviews to get a broader representation of opinion.

50.1.2 The Committee noted the report.

50.2 Audit Scotland - 2008/09 Audit Progress Report

50.2.1 Ms Russell introduced the paper and requested the Committee's comments on the format of the report. The Committee thanked Ms Russell for her useful report.

50.2.2 The Committee agreed that the report would come back to the Audit Committee in June.

50.3 Corporate Plan 2009-12 – the Committee noted the previously circulated Corporate Plan 2009-12 and the information therein.

50.3.1 Mr Renwick requested that a URL be provided in future to reduce the cost of producing colour documents.

51. Corporate Governance

51.1 NHS Lothian – Patients' Funds – Annual Accounts – the previously circulated NHS Lothian - Patients' Funds - Annual Accounts from Ms Goldsmith was received.

51.1.1 Ms Goldsmith gave a brief overview of the accounts package.

51.1.2 The Committee agreed to the recommendations in the paper that:

- The Board is recommended to agree that various officers specified in the paper sign the relevant statements contained within the accounts, and,
- The Board is recommended to approve the Patients Private Funds accounts for the year ended 31 March 2008.

51.1.3 Related to this subject, Mr Egan asked for assurance that incapax meetings were being conducted as required. Ms Goldsmith agreed to clarify this point.

Mr Renwick left the meeting.

SG

51.2 Patient Exemption Checking 2008 – Analysis of Fraud/ Error and Potential Fraud Error – the previously circulated Patient Exemption Checking 2008 – Analysis of Fraud/ Error and Potential Fraud Error was received.

51.2.1 Ms Woolman noted the covering letter and expressed confidence that appropriate action would be taken.

51.3 Audit Committee Review: Progress Report – the previously circulated Audit Committee Review: Progress Report from Mr Payne was received and noted.

51.4 KPMG: Ten To-Do's for Audit Committees in 2008 – the Committee noted the previously circulated KPMG report on Ten To-Do's for Audit Committees in 2008 report from Mr Payne and progress reported therein.

51.5 Corporate Governance: Statement on Internal Control –the previously circulated Corporate Governance: Statement on Internal Control was received.

51.5.1 The Committee noted that the draft Statement on Internal Control will be presented at the next meeting.

52.1 Any Other Competent Business

52.1.1 Audit Best Value in the NHS – the Committee noted the tabled Audit Best Value in the NHS leaflet from Audit Scotland.

53. Date of Next Meeting

53.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 22 June 2009 at 9.00am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 22 June 2009 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Ms L Jamie (Chair), Mrs T Douglas, Mr E Egan and Mr S Renwick.

In Attendance: ; Mr B Battison (Senior Auditor, Audit Scotland) Professor James Barbour (Chief Executive, NHS Lothian) (from item 59.2); Mr A Boyter (Director of Human Resources) Ms S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D Miller (General Manager, Primary Care Contracts); Ms C Potter (Associate Director of Finance); Ms H Russell (External Auditor - Audit Scotland); Mr J Skinner (Risk Management); Mr D Woods (Chief Internal Auditor); Ms G Woolman (External Auditor - Audit Scotland); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr Payne.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Professor Barbour declared that he was a non-executive Director on the NSS Board and Member of the University of Edinburgh Court.

54. Minutes of the Previous Meeting

- 54.1 Minutes of the Previous Meeting held on 6 April 2009– the Committee agreed to adopt the previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 6 April 2009 subject to the following amendment:
- Item 47.2 –It was agreed that the typographical error in the Committee's name would be amended.

55. Matters Arising

- 55.1 Matters Arising from the Meeting of 6 April 2009 – the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 6 April 2009, together with the action taken and the outcomes.
- 55.2 Primary Care Orthodontist Case - Mr Miller advised the Committee that the Contractor's Lawyer had requested that records be extracted from MIDAS to capture extended retention and referral patients.

55.2.1 The Committee discussed the disciplinary route highlighting that a sample of records prior to the period under investigation had been requested. The Central Legal Office had advised that if the request was denied a court order could be obtained. The expertise to review the records would be appointed in the near future.

55.2.2 Ms Goldsmith reassured the Committee that an end point of negotiation was in sight, an outcome would be determined prior to the Board meeting.

55.3 Lorna's Lottery – the Committee was advised that a paper on Lorna's Lottery would be submitted for the October meeting.

SG

55.4 The Committee agreed to note the action taken in respect of the Matters Arising.

55.5 Incapax meetings – the Committee noted a previously circulated report on Incapax meetings from Mr Payne.

55.5.1 Ms Goldsmith reported that the Incapax meetings were now referred to as DWP Appointeeships. Ms Goldsmith understood that the meetings had been taking place, but proposed tasking Internal Audit with reviewing the DWP Appointeeships minutes to confirm. Ms Goldsmith and Mr Woods to agree outwith the meeting.

SG/DW

55.5.2 Mr Egan raised concerns that the report was incomplete in respect to responsibilities and evidencing good practice; Ms Goldsmith reassured Mr Egan that a full report would be provided prior to the Board meeting.

55.5.3 The Committee agreed that a further review of the policy and procedures would be appropriate.

56. Linkages with Other Board Committees

56.1 Finance & Performance Review Committee - Minutes of the Meetings held on 8 April 2009 - the previously circulated minutes of the Finance & Performance Review Committee meeting held on the 8 April 2009 were received.

56.1.1 The Committee agreed to adopt the minutes of the Finance & Performance Review Committee meeting held on 8 April 2009.

56.2 Healthcare Governance & Risk Management Committee - Minutes of the Meeting held 7 April 2009 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on the 7 April 2009 were received.

56.2.1 Mr Egan reassured the Committee that following discussions and the appointment of the new vice-chair all communication issues had been resolved.

56.2.2 The Committee agreed to adopt the minutes of the Healthcare Governance & Risk Management Committee meeting held on 7 April 2009.

56.3 Staff Governance Committee – Minutes of the Meeting held on 29 April 2009
- the previously circulated Minutes of the Staff Governance Committee meeting held on the 29 April 2009 were received.

56.3.1 The Committee agreed to adopt the minutes of the Staff Governance Committee meeting held on 29 April 2009.

57. Operational Audit Sub-Committee

57.1 Minutes of the Operational Audit Sub-Committee held on 23 March 2009 – the Committee noted the previously circulated minutes of the meetings of the Operational Audit Sub-Committee held on 23 March 2009.

57.1.1 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meetings held on 23 March 2009.

57.2 Update on the Operational Audit Sub-Committee held on 25 May 2009 – Mr Renwick gave a brief update of the discussions at the Operational Audit Sub-Committee meeting held on 25 May 2009 and highlighted discussions regarding the British Telecom Contract.

58. Internal Audit Reports

58.1 Internal Audit – May 2009

58.1.2 Mr Woods gave a brief overview of the report highlighting that 80% of audits from the 2008/09 plan were fully complete, and draft reports had been issued for the remaining audits. Meanwhile, audits in the 2009/10 plan were progressing to schedule.

58.2 Internal Audit – Working Time Directive Compliance, 2008-25, May 2009

58.2.1 Mr Boyter introduced the report noting the recommendations to set up a structure to monitor compliance, develop a standard time-monitoring tool, and provide detailed guidance on how managers should apply the regulations.

58.2.2 The Committee was reassured that the Monitoring Group had now been set up and further work on compliance would be picked up through the Staff Governance Committee and Partnership.

58.2.3 Mr Boyter advised the Committee that the Staff Governance Committee would have to review arrangements for Junior Doctors in the near future.

58.2.4 Mr Egan reported that he had raised his concerns regarding non-compliance with the Working Time Regulations with Mr McCaffrey and both Acute and Lothian Partnership Forums. Mr Boyter advised that issues related to specific cases would be picked up with Partnership, Management and Trade Unions on an individual basis.

58.2.5 The Committee received assurances that the Monitoring Group's remit could be extended to address Mr Egan's concerns. It was agreed that a progress report would be submitted to the Operational Audit Sub-Committee in September 2009.

AB

58.3 Internal Audit - Annual Report for 2008/09

58.3.1 Mr Woods spoke to the annual report and confirmed that Internal Audit's work indicated that adequate and effective internal controls had been operating throughout the year. During the year, two reports had been issued with an unsatisfactory rating: NHS Cost Recovery Scheme and Working Time Directive Compliance. He summarised that Internal Audit could report positively against the guidance for supporting completion of the Statement on Internal Control.

58.3.2 Mr Egan questioned the process for internal audit reports being presented to committees other than those from the Audit Committee and Operational Audit Sub-Committee. Mr Woods explained how the distribution lists for reports were established, and advised that he had sent the audit plan to all Executive Directors asking them to highlight any reports which they specifically wanted to receive. Also, Mr Woods had offered to present to committees and groups to explain the work of Internal Audit and the reporting process. However, Mr Woods would consider Mr Egan's point further, and report back at the next meeting.

DW

58.3.4 The Committee agreed to accept the report.

58.4 CFS Quarterly Reports (December 2008, March 2009)

58.4.1 Mr Woods reported the CFS quarterly reports underlining Operation GEM as the only operation from NHS Lothian. Counter Fraud Services had approached the member of staff regarding repayment of the monies, and CFS was preparing the case to be submitted to the Procurator Fiscal. Mr Boyter confirmed that the Staff Bank employee in question would no longer be offered work in NHS Lothian.

58.4.2 Members noted that counter-fraud messages had been publicised through articles in Connections and the Team Brief. The first meeting of the Counter Fraud Action Group was scheduled for 23 June, and Mr Woods agreed to provide an update to the next Operational Audit Sub-Committee.

DW

58.4.3 The Committee agreed to accept the CFS Quarterly Reports (December 2008, March 2009).

59. External Audit Reports

59.1 NHS Lothian: 2008/09 Review of Internal Controls - the previously circulated NHS Lothian: 2008/09 Review of Internal Controls Report from Ms Woolman was received.

59.1.1 Ms Russell spoke to the report and highlighted the Medium Priority Ratings: Orders procured through the National Distribution Centre, HSDU Sterile Trays, Ward Pharmacy and General Ledger.

59.1.2 The Committee agreed to accept the report.

Professor Barbour entered the meeting

59.2 NHS Lothian: 2008/09 Internal Controls – Payroll/ Human Resources and Capital Accounting - the previously circulated NHS Lothian: 2008/09 Review of Internal Controls - Payroll / Human Resources and Capital Accounting Report was received.

59.2.1 Ms Russell outlined the report highlighting the high priority risk related to the Payroll and associated HR systems in relation to the Working Time Regulations. She noted 16 instances where staff were earning in excess of 50% of their basic pay plus allowances as overtime and 39 instances of staff earning in excess of 40%.

59.2.2 Ms Russell verified that inconsistencies with stock had been addressed in the Representation Letter. NHS Lothian had reassured Audit Scotland that the figure in the Annual Accounts was acceptable.

59.2.3 The Committee noted that the majority of the 208 cases of salary overpayment were caused by late notification of termination (81% of cases). Monthly meetings would be held between HR and Payroll to identify where overpayments had occurred in the month and these would then be pursued with line managers to try and heighten awareness of the problem.

59.2.4 Ms Goldsmith reported that the implementation of SSTS would strengthen the controls within Payroll.

59.2.5 Professor Barbour expressed concerns that NHS Lothian had advised that Managers had, on a number of occasions, been reminded that they were specifically required to comply with Working Time Directives. Members noted that NHS Lothian was not an individual and could not provide advice. Ms Goldsmith agreed to take forward amendments to this outwith the meeting.

59.2.6 The Committee agreed to accept the report subject to the comments discussed.

SG

60. Corporate Governance

60.1 Annual Report of the Healthcare Governance & Risk Management Committee 2008/09 – the previously circulated Annual Report of the Healthcare Governance & Risk Management Committee 2008/09 was received.

60.1.1 Ms Goldsmith recognised the need to have a standard format for all annual reports coming to the Audit Committee. She agreed to take forward developing the format with Mr Payne and Mr Martin out with the meeting. **SG/AP/BM**

60.1.2 The Committee agreed to adopt the report as part of the overall assessment of the organisation's framework on internal control.

60.2 NHS Lothian, Staff Governance Committee Annual Report – 2008/09 – the previously circulated NHS Lothian, Staff Governance Committee Annual Report – 2008/09 was received.

60.2.1 Mr Egan thanked Ms Russell for her contribution to the Staff Governance Committee Annual Report and requested that in future the outcome of the review should go to the Chair of the Staff Governance Committee.

60.2.2 The Committee agreed to adopt the report as part of the overall assessment of the organisation's framework on internal control.

60.3 Annual Report of the Finance & Performance Review Committee 2008/09 – the previously circulated Annual Report of the Finance and Performance Review Committee 2008/09 was received.

60.3.1 Mr Renwick requested that table 5 be amended to state "Audit Scotland – Financial Overview of the NHS in Scotland 2008/09".

AP

60.3.2 The Committee agreed to adopt the report as part of the overall assessment of the organisation's framework on internal control.

60.4 NHS Lothian, Annual Risk Management Report 1 April 2008 – 31 March 2009 – the previously circulated Annual Risk Management Report 1 April 2008 – 31 March 2009 from Mr Skinner was received.

60.4.1 Mr Skinner spoke to the report and underlined that NHS Lothian was continuing to evolve and improve the system by commencing a process to transfer the registers onto the Datix risk management information system.

60.4.2 The Committee agreed to adopt the report as part of the overall assessment of the organisation's framework on internal control.

60.5 2008/09 Summary Assurance Report on Best Value – the Committee noted the previously circulated 2008/09 Summary Assurance Report on Best Value and the information therein.

60.5.1 Ms Goldsmith spoke to the report and requested that all informal comments be fed back to her prior to the report going to the Executive Management

Team. It was agreed that the report would come back to the October meeting.

ALL/SG

Mr Egan left the meeting

- 60.6 NHS Lothian, Operational Audit Sub-Committee Annual Report form the Chair – 2008/09 - the Committee agreed to adopt the report as part of the overall assessment of the organisation's framework on internal control.
- 60.7 NSS Practitioner Services – Service Audit Report for the Period 1 February 2008 to 31 March 2009 – the Committee noted the previously circulated NSS Practitioner Services – Service Audit Report for the Period 1 February 2008 to 31 March 2009.
- 60.8 NSS National IT Services – Service Audit Report – the Committee noted the previously circulated NSS National IT Services – Service Audit Report.
- 60.9 NSS National Procurement: Logistics – Services Audit Report – the committee noted the previously circulated NSS National Procurement Logistics – Services Audit Report.
- 60.10 NSS Consortium e-Financials – Service Audit Report – the Committee noted the previously circulated NSS Consortium e-Financials – Service Audit Report.
- 60.11 Primary Medical Services Quality Control Outcomes Framework/ Contractual & Statutory Review Outcomes 2008/09 – the Committee noted the QOF/ Statutory & Contractual Review Programme Annual Report 2008/09, as a source of assurance for the Statement on Internal Control.
- 60.12 SFR 18.0 – Summary of Losses and Payments for the Year Ended 31 March 2009 – Ms Goldsmith introduced the report and highlighted that the level of debt had decreased from £5,729,770 to £3,618, 672, with the exception of University of Edinburgh. NHS Lothian was currently discussing this debt with Senior University of Edinburgh Management.
- 60.12.1 Mr Renwick noted that the figures in 3.5 were not cross referenced in the Annual Accounts and queried whether other debt could be categorised. Ms Goldsmith agreed to submit a reconfiguration to the July Operational Audit Sub-Committee.
- 60.12.2 The Committee agreed to accept the SFR 18.0 – Summary of Losses and Payment for the Year End 31 March 2009.
- 60.13 Formal Consideration Process - the Committee agreed that the resources made available to the Committee (e.g. through audit days and supplementary support) had been adequate for the Committee to discharge its functions.

SG

61. Annual Accounts

61.1 Statement on Internal Control - a previously circulated paper, together with the draft letter Statement on Internal Control was received.

61.1.1 Mr Martin spoke to the Statement on Internal Control and the Committee noted the arrangements put in place to support the statement.

61.1.2 Following its review of the draft letter of Statement on Internal Control, the Committee agreed to support the Statement and recommend to the Board that, subject to minor corrections to the Risk and Control Framework section, the letter be signed by the Chief Executive on its behalf.

BM

61.2 Accounting Policies – the previously circulated report on Accounting Policies was received.

61.2.1 The Committee confirmed that the Accounting Policies could be adopted for the Board.

62.3 Representation Letter - the Committee received a previously circulated report, together with a draft Letter of Representation to the External Auditors.

62.3.1 Following discussion, it was agreed that the statement properly represented confirmation to the External Auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2009, and to recommend to the Board that the letter be adopted, subject to minor amendments to the formatting, typographical errors, and paragraphs 8, 10, 11 & 14, to be signed by the Chief Executive on the Board's behalf.

BM

61.4 External Audit - Lothian NHS Board - Report to those charged with Governance on the 2008/09 Audit - a previously circulated report to those charged with governance on the 2008/09 Audit was received.

61.4.1 Ms Woolman spoke to the report highlighting the matters arising, outcomes and that the audit opinion was unqualified.

61.4.2 The Committee agreed to accept the report.

61.5 Annual Accounts for the Year ended 31 March 2009 - the Committee received the annual accounts for 2008/09 and Ms Goldsmith went through them in detail.

61.5.1 Following discussion, a number of minor amendments to the annual accounts were agreed and, subject to these amendments, the Committee agreed to recommend to Lothian NHS Board that it approve and adopt the annual accounts for year ended 31 March 2009.

61.6 NHS Lothian, Audit Committee Annual Report from the Chair – 2008/09 – the committee noted the previously circulated NHS Lothian, Audit Committee Annual Report from the Chair – 2008/09.

62. Any Other Competent Business

- 62.1 Audit Scotland Secondment Opportunity – Ms Jamie advised the Committee that she would be seconded to Audit Scotland for a period of 6 months in the near future to assist with the NHS Overview Report.

63. Date of Next Meeting

- 63.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 12 October 2009 at 9.00am in the Board Room, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 12 October 2009 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Mr S Renwick (In the Chair); Mrs T Douglas; Mr E Egan and Professor P Murray.

In Attendance: Professor J J Barbour (Chief Executive, NHS Lothian); Ms S Blythe (External Auditor, Audit Scotland); Mrs S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D Miller (General Manager, Primary Care Contracts); Mr A Payne (NHS Lothian Corporate Governance and VFM Manager); Mr P Reith (Secretariat Manager); Dr C J Winstanley (Chair, NHS Lothian); Ms G Woolman (External Auditor, Audit Scotland) and Mr D Woods (Chief Internal Auditor).

Apologies for absence were received from Miss L Jamie and Mr A Boyter.

Declaration of Financial and Non-Financial Interest

The Chair reminded members they should declare any financial and non-financial interest they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Professor Barbour declared that he was a Non-Executive Director on the National Services Scotland Board.

64. Minutes of the Previous Meeting

64.1 The previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 22 June 2009 were approved.

65. Matters Arising

65.1 Matters Arising from the Meeting of 22 June 2009 – the Committee noted a previously circulated paper detailing the matters arising from the Audit Committee meeting held on 22 June 2009, together with the action taken and the outcomes.

65.1.1 Mrs Goldsmith advised the Committee that the Summary Assurance Report on Best Value paper would be going to the Executive Management Team before coming back to the Audit Committee as part of the overall process.

65.1.2 In respect of the Orthodontic case, Mrs Goldsmith advised the Committee that the defendant had been advised by his lawyers to settle and the Central Legal Office has been asked to secure a Counsel's opinion on the appropriate settlement. Mrs Goldsmith had written to the Practitioner Services Division of National Services Scotland asking for a further 800 records to be added to those already being considered by the Discipline Committee.

65.1.3 Mr Miller advised the Committee that he and Ms McNeillage would be meeting with the Practitioner Services Division to follow this up.

DM

65.1.4 Mrs Goldsmith advised the Committee that a draft paper on LORNA's Lottery would be going to the Executive Management Team before it came to the Audit Committee.

65.2 Recovering the Cost of Absence Caused by Road Traffic Accidents from Third Parties - the Committee considered a previously circulated report outlining the steps to be taken to identify the scale of cases in which NHS Lothian staff, who had been involved in an accident, could approach insurance companies to claim the sick pay costs borne by NHS Lothian and then pass them on to their employer.

65.2.1 Mr Payne advised the Committee that he had met with Mrs R Kelly and Finance colleagues and indicated that more data was required before it would be possible to say if there would be any benefit in pursuing this further.

65.2.2 It was noted that should it become apparent that this was a material issue, a proposal would be referred to the Agenda for Change Terms & Conditions Group for its consideration.

65.2.3 The Committee noted the position.

66. Operational Audit Sub-Committee

66.1 Minutes of the Operational Audit Sub-Committee held on 25 May 2009 – the previously circulated Minutes of the Operational Audit Sub-Committee meeting held on 25 May 2009 were adopted.

66.2 Minutes of the Meeting of the Operational Audit Sub-Committee held on 27 July 2009 – the previously circulated Minutes of the Operational Audit Sub-Committee meeting held on 27 July 2009 were adopted.

66.2.1 The Chair advised the Committee that clinical documentation had been flagged up to the Chief Executive and the Employee Director as a matter on which momentum required to be maintained.

66.2.2 Professor Murray advised that the Healthcare Governance & Risk Management Committee was keeping a close eye on this but she felt it was optimistic to expect Committees to be able to progress this matter and a specific resource would be required. Professor Murray undertook to speak to Dr Swainson on this matter.

PM

66.2.3 Mr Egan advised that the release of staff for fire safety training was still an issue and two-thirds of NHS Lothian staff had not yet attended such mandatory training.

66.2.4 The Committee noted that the report had gone to the University Hospitals Division Senior Management Team and it was agreed to ask the Director of Human Resources & Organisational Development for an update after which the matter could be raised with the Staff Governance Committee and the Healthcare Governance and Risk Management Committee.

AP

67. Linkages with Other Board Committees

67.1 Finance & Performance Review Committee Minutes - the previously circulated Minutes of the Finance & Performance Review Committee meetings held on 10 June and 12 August 2009 were received.

67.2 Healthcare Governance & Risk Management Committee Minutes - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on 2 June 2009 were received.

67.2.1 The Committee noted that the staff passport would be discussed at the Lothian Partnership Forum Away Day in November and Mr Egan explained that this meeting had been deferred from September due to annual leave.

67.2.2 Mr Egan expressed concerns about the reporting of risk and Professor Murray advised that the Healthcare Governance and Risk Management Committee was preparing proposals for ways of strengthening the process. Mr Egan indicated that he had concerns relating to the updating of the risk register.

67.2.3 Professor Barbour indicated that the risk register was discussed regularly at the Executive Management Team and he was of the view that risks were managed most effectively at the level nearest where the risk resided, albeit systemic-wide risk needed a higher level of intervention.

67.3 Staff Governance Committee Minutes – the previously circulated Minutes of the Staff Governance Committee held on 29 July 2009 were received.

67.3.1 Mr Egan advised that Agenda for Change assimilation had now been completed and work on the reviews was ongoing. He indicated that work was taking place on ways of getting people back to work in innovative ways.

67.3.2 Mr Egan commented that there were improvements that he would like to see accelerated and it was noted that there were some frustrations at the contribution of the Counter Fraud Services.

67.3.3 Professor Murray asked how it would be possible to get Counter Fraud Services involved in the investigation of certain aspects of controlled drugs and Mr Woods advised that Counter Fraud Services was trying to increase its profile.

67.3.4 It was agreed that once the new Head of Counter Fraud Services was in post, he or she should be invited to attend the Audit Committee to discuss the Committee's concerns.

AP

67.3.5 Mr Renwick advised that NHS Lothian's induction training covered fraud awareness.

67.3.6 The Committee agreed to receive the Minutes.

68. Internal Audit

68.1. Operational Audit Sub-Committee – the Committee noted a previously circulated Internal Audit progress report submitted to the Operational Audit Sub-Committee.

68.1.1 Mr Woods advised that two reviews were still outstanding from 2008/09, but the Audit Plan for 2009/10 was proceeding on schedule.

68.1.2 It was noted that new Government Internal Audit Standards had been issued and Mr Woods indicated that the new standards introduced a couple of areas where Internal Audit did not fully comply. In particular, the new standards require Internal Audit to have an Internal Audit Charter, and state that the Chief Internal Auditor should report directly to the Accountable Officer rather than the Director of Finance. Mr Woods indicated that he would be bringing a paper back to the Committee, once the new standards had been discussed by the Corporate Governance & Audit Group, which comprised several Chief Internal Auditors from across the NHS.

DW

68.1.3 Professor Barbour advised that he received all Internal Audit reports and determined whether they should be submitted to the Executive Management Team. The Chief Internal Auditor had direct access to him and he believed that the present arrangements worked well.

68.1.4 Mr Egan requested an update on the position in respect of sickness absence in Internal Audit, and Mr Woods advised that two members of staff remained on long-term sick leave. In addition, Mr Woods advised that there was currently a vacancy in the team, which it was proving difficult to fill, because of the banding of the post and its salary. Mr Woods advised that he was comparing pay rates for suitably qualified staff across different organisations. Mr Woods added that Internal Audit staff currently had appeals outstanding under Agenda for Change. If those appeals prove unsuccessful, Mr Woods would report back to the Audit Committee. Mrs Goldsmith indicated that she would look at the overall staffing level of Internal Audit to ensure that it was sufficient to meet requirements.

68.1.5 Mr Woods indicated that he had been holding discussions with National Services Scotland, who were considering joining the Internal Audit consortium with NHS Lothian, and Professor Barbour declared an interest as a member of National Services Scotland Board.

68.1.6 Mr Woods indicated that in order to provide the Internal Audit service to National Services Scotland, he would require to take on additional staff and Mrs Goldsmith commented that these posts would need to be financed by NSS.

68.1.7 Mr Egan advised that if Mr Woods let him have the relevant reference numbers for the outstanding appeals, he would check progress.

DW

68.2 Incapax or DWP Appointeeship Meetings – a previously circulated report on Incapax (now more correctly known as DWP Appointeeship meetings) was received.

68.2.1 Mr Woods advised the Committee that the majority of patients were being covered by the appropriate arrangements although procedures were currently being reviewed to enforce good practice. The Committee asked Mr Woods to conduct occasional spot checks to ensure compliance was continuing.

68.2.2 The Committee noted the report.

68.3 Distribution of Internal Audit Reports – a previously circulated report detailing how distributions lists for Internal Audit reports were decided, and suggesting how reports could be directed to other governance committees, was received.

68.3.1 Mr Woods explained that Internal Audit issued both draft and final terms of reference before each audit and this included the proposed distribution list for draft and final reports. In addition, the Chief Internal Auditor issued the Audit Plan in April 2009 to all Executive Directors and their direct reports.

68.3.2 When issuing the Audit Plan, the Chief Internal Auditor offered to present to any Committees or groups on Internal Audit's practices and approach, including reporting. Meanwhile, the Operational Audit Sub-Committee received the Executive Summaries of reports rated "Fully Satisfactory" or "Satisfactory", as well as the full reports for any with a "Requires Improvement" or "Unsatisfactory" rating. The Audit Committee also received reports rated as "Unsatisfactory".

68.3.3 The Committee noted that Executive Directors and their direct reports already had the opportunity to request that specific final Audit reports be copied to particular Committees or groups, and such requests could be raised when terms of reference or Audit reports were being agreed.

68.3.4 Mr Woods advised that the Operational Audit Sub-Committee could further support the framework. As the recipient of all Audit reports, the Operational Audit Sub-Committee could identify at each meeting any individual reports which they wished to direct to other governance committees. Taking on this role would strengthen the governance framework, particularly as the Audit Committee relied on assurances received from other governance committees.

68.3.5 Professor Barbour commented that Audit reports needed to be circulated to CHPs/CHCP as well as Executive Directors and emphasised the importance of people recognising what they required to do and the consequences of signing

off an Internal Audit report. In particular, if there were any senior or middle management staff who did not understand what Internal Audit was then there should be a mechanism to re-articulate the message to staff.

DW

68.3.6 The Committee agreed that the Operational Audit Sub-Committee should identify Audit reports to be directed to other governance committees and Mr Woods undertook to discuss means of re-articulating the importance of Internal Audit reports to staff with the Director of Human Resources and Organisational Development.

DW/AB

69. External Audit

69.1. NHS Lothian: Report on the 2008/09 Audit (July 2009) – Ms Woolman introduced the previously circulated Audit Scotland report on the 2008/09 audit of NHS Lothian.

69.1.1 Ms Woolman indicated that the key messages had been covered at the June meeting of the Audit Committee and the final report went to the Auditor General for Scotland.

69.1.2 Professor Barbour emphasised that it was important that the Board was not just a passive recipient of these reports and commented that he felt there had been missed opportunities, for example the position of the partnership work with our own staff had been under-stated and it was unclear what the responsibilities of the Auditors were in highlighting the impact of the progress by the Scottish Government in respect of implementing NRAC in relation to risks. He was concerned that when the report was compared to the actual outcome, there was a danger in concentrating on targets whilst missing the point.

69.1.3 Ms Woolman advised that the report had been subject to discussion with Board officers and she indicated that much of the narrative about members' interests, etc. was not necessary .

69.1.4 Ms Woolman undertook to review the final draft of the overall Scottish Overview to ensure that references to Lothian placed the correct emphasis on these issues. Mrs Woolman emphasised that the report reflected the position at 31 July 2009 and the letter from the Scottish Government concerning NRAC had been received after this.

GW

69.1.5 Mrs Goldsmith advised she would write to Audit Scotland to emphasise that reference to the NRAC changes needed to be included in the report.

SG

69.1.6 Mr Egan questioned how the lack of co-operation of other partners in the implementation of Single Outcome Agreements could be reflected and Mrs Woolman indicated that the possibility of including some reference to this in the next year's report would be examined.

SG

69.1.7 The Committee agreed that the Audit Scotland report on the 2008/09 audit should be referred to the Board.

SG

69.2 Update on the 2008/09 Audit Plan and Performance Reporting Group Studies - the Committee received a previously circulated report from Audit Scotland giving an update on the 2008/09 Audit Plan and the Performance Reporting Group National Studies.

69.2.1 Ms Woolman introduced the report and indicated that NHS Lothian was participating in a number of these studies, as a field work site and/or a data collection site. Information on the project briefs, etc. were recorded on the Audit Scotland website.

69.2.2 The Committee agreed to note the report.

70. Family Health Services – Payment Verification Procedures

70.1 The Committee received a report advising of changes in the recently issued circular CEL 32 (2009): Primary Medical Services, General Dental Services and Pharmaceutical Services - Payment Verification Procedures.

70.2 Mr Miller introduced the report and reminded the Committee that the primary care contracts office had responsibility, on behalf of CH(C)Ps, for ensuring that appropriate control measures were in place for payments made to Family Health Service Practitioners (General Medical Practitioners, General Dental Practitioners, Community Pharmacists and Optometrists).

70.3 Mr Miller indicated that minor revisions had been made to the protocol for primary medical services and to reflect the introduction of general dental practice allowances and commitment payment, as well as revisions to reflect recent changes to the pharmacy contract. He indicated that there was ongoing work being taken forward to change the dental payment verification protocol to take account of orthodontic claims, although there was no resolution of this issue as yet. He emphasised the need to make a strong emphasis to the Scottish Government on the need for this to happen.

70.4 It was noted that Lothian undertook twice as many practice visits as the national standard and was keen to see a greater emphasis put on this.

70.5 Mrs Goldsmith indicated that on the back of NHS Lothian's experience in this area, she would write to the Scottish Government and bring back a further report on what action could be undertaken locally.

SG

71. NHS Lothian Patients' Funds – Annual Account 2008/09

71.1 The Committee received the previously circulated Patients' Funds annual accounts for 2008/09.

71.2 The Committee reviewed the draft Patients' Private Funds accounts for the year ended 31 March 2009 and agreed to recommend to the Board that the Chair and Chief Executive sign the statement of Lothian NHS Board members' responsibilities on the Board's behalf; that following the Board's consideration

of the abstract, the Director of Finance and Chief Executive sign the “Abstract of Receipts and Payments” (SMR 19.0); that the Board approve the entire draft Patients’ Private Funds accounts for the year ended 31 March 2009; to agree the draft Letter of Representation and to recommend to the Board that the Chief Executive sign the Letter of Representation on the Board’s behalf.

SG

71.3 Mr Egan drew the Committee’s attention to the need for money from the Patients’ Funds to be available for expenditure for minor items for patients.

71.4 It was agreed that the Patients’ Funds account for the year ended 31 March 2009 be taken to the Board for approval.

SG

72. Audit Scotland Annual Report 2008/09

72.1 The Committee received the previously circulated annual report for Audit Scotland for 2008/09.

72.2 Mr Martin indicated to the Committee that the audit fees were rising at a higher rate than inflation.

72.3 Ms Woolman advised the Committee that the fees strategy was under discussion and the Public Ombudsman’s comments on rises in fees were being taken on board.

72.4 The Committee agreed to note the report.

73. Counter Fraud Services Quarterly Report – June 2009

73.1 Mr Woods introduced the report and advised that NHS Lothian had reviewed the HR training DVD and completed the other communication initiatives suggested by Counter Fraud Services. He advised that NHS Lothian’s open investigations were relatively low compared to other Boards because Lothian was being particularly proactive in progressing cases with Counter Fraud Services.

73.2 Mr Egan suggested in respect of Operation Monza that the mental health services should be asked to review the situation and confirm that Lothian still checked that nurses were registered.

74. Future of the Operational Audit Sub-Committee

74.1 Mr Renwick advised the Committee that following discussions at the Operational Audit Sub-Committee, it was being proposed that the Sub-Committee continue for a further year, as the current arrangement seemed to be working well.

74.1 The Committee agreed to continue the Operational Audit Sub-Committee for a further year.

75. International Financial Reporting Standards

- 75.1 Mr Martin introduced a previously circulated briefing for members of the Committee on the progress towards transition to the accounting and reporting requirements of the International Finance Reporting Standards.
- 75.2 The Committee noted the revised format of accounts that arose from adopting the revised accounting standards. Mr Martin indicated that details of these Standards had been passed to the Auditors.
- 75.3 The Committee agreed to note the report.

76. Audit Scotland Review of Alcohol and Drug Services

- 76.1 The Committee noted a previously circulated report on the findings of the Audit Scotland report “Drug and Alcohol Services in Scotland” which had been considered by the Operational Audit Sub-Committee.
- 76.2 The Committee agreed to note the progress by NHS Lothian and Alcohol and Drug Action Teams to respond to the key recommendations of the report.

77. Audit Scotland Report – Overview of Mental Health Services

- 77.1 A previously circulated report detailing the key messages and recommendations of the Audit Scotland report in relation to mental health services in Scotland was received.
- 77.2 The Committee noted that this report had been reviewed by the Operational Audit Sub-Committee.

78. Audit Scotland Report – Management the Use of Medicines in Hospitals: Follow-Up Review

- 78.1 The Committee noted a previously circulated report detailing the draft action plan for Lothian to address the issues raised in the Audit Scotland Report on managing the use of medicines in hospitals.
- 78.2 Professor Murray emphasised the need for multi-disciplinary ownership of the process and commented she was pleased at the progress made so far by NHS Lothian.
- 78.3 Mr Egan highlighted issues over the prescribing of controlled drugs and Professor Murray indicated that anomalies were now being identified that required to be addressed in a multi-disciplinary way. In particular, it was hoped to run a medicine respect campaign in order to take this forward.

78.4 The Committee agreed to receive the report and invited Professor Murray to submit a detailed report to the Operational Audit Sub-Committee.

PM

79. Audit Scotland Report – NHS Lothian – Information Management and Technology: Best Value – Use of Resources

79.1 The Committee agreed to note a previously circulated report advising of the result of the Audit Scotland information management and technology best value survey, previously considered by the Operational Audit Sub-Committee.

80. NHS Lothian 2008/09 Audit: Your Business @ Risk – Information Governance and Security Survey

80.1 The Committee noted previously circulated correspondence from Helen Russell, Senior Audit Manager at Audit Scotland about Your Business @ Risk, a web-based survey that helped bodies quickly assess procedural, cultural and ethical compliance risks which had the potential to undermine the effectiveness of their information governance policies.

80.2 The Committee agreed to note the correspondence.

81. Operational Audit Sub-Committee Report

81.1 It was agreed that, in future, the full reports considered by the Operational Audit Sub-Committee would not need to be sent to the Audit Committee, merely a cover paper summarising the issues and the full reports could be sent out electronically.

82. Date of Next Meeting

82.1 It was noted that the next meeting of the Audit Committee would be held on Monday 7 December 2009 at 9.00am in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 8 February 2010 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Mr S Renwick (In the Chair); Mrs T Douglas; Mr E Egan and Professor P Murray.

In Attendance: Professor J J Barbour (Chief Executive, NHS Lothian); Mrs S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D Miller (General Manager, Primary Care Contracts); Mr A Payne (NHS Lothian Corporate Governance and VFM Manager); Ms H Russell (External Auditor, Audit Scotland); Dr C J Winstanley (Chair, NHS Lothian); Ms G Woolman (External Auditor, Audit Scotland) , Mr D Woods (Chief Internal Auditor) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr A Boyter.

Mr Renwick welcomed Members to the meeting noting that he had taken on the role of Chairing the Committee as Ms Jamie had taken up a secondment within NHS Lothian.

Declaration of Financial and Non-Financial Interest

The Chair reminded members they should declare any financial and non-financial interest they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Mr Renwick, Ms Douglas and Ms Murray declared an interest in item 2.3 as Trustees of the Board's Endowment Funds.

83. Minutes of the Previous Meeting

83.1 The previously circulated Minutes of the meeting of the NHS Lothian Audit Committee held on 12 October 2009 were approved.

84. Matters Arising

84.1 Matters Arising from the Meeting of 12 October 2009 – the Committee noted a previously circulated paper detailing the matters arising from the Audit Committee meeting held on 12 October 2009, together with the action taken and the outcomes.

84.1.1 Mr Payne introduced the action note and highlighted that the authors of the Annual Reports from Governance Committees would convene a meeting to discuss developing a standard format; all other items would be picked up through the agenda.

84.2 Update on Operation Harp – Mr Miller advised the Committee that following discussions at the Board meeting it was agreed that the offer received was insufficient. The Central Legal Office has been instructed to formally write to the contractor in relation to the forensic case review. Ms Goldsmith advised she had cleared the letter and it would be issued today.

84.2.1 Members noted the forensic review of additional case records was ongoing, and that this further evidenced previous claiming patterns.

84.2.2 The Committee discussed the subjective results of the forensic review, impact of costs incurred by taking legal action and how the monies would be allocated between NHS Lothian and NHS Fife.

84.2.3 Members agreed that they needed to look at lessons learnt and note the positive outcome of robust payment verification systems.

84.2.4 The Chair thanked Mr Miller for his informative report and Mr Miller left the meeting.

84.3 Health for Lothian Appeal Society (HfLAS) Governance Arrangements Progress Update – the report to update the Committee on the progress of the implementation of good governance for the HfLAS was received.

84.3.1 Ms Goldsmith advised the Committee that following discussions at the Executive Management Team meeting on 18 August 2009 it was agreed that the way forward was that this employee-based society should no longer be governed or controlled by the Board. On a contractual basis, the Board would continue to provide administration, processing and monthly financial statements until all the steps to establish independence for the society had taken place. Simple amendments to existing rules and regulations, and essential communication of the changes to existing members and NHS Lothian staff were ongoing.

84.3.2 The Committee discussed concerns relating to the arrangements for self governance and continued reliance on NHS Lothian to provide significant support to the society without any exit strategy. Members agreed that it would be appropriate for NHS Lothian to support the Society for the period of one year, after which the Society should achieve complete independence.

84.3.3 The Committee noted the progress of the Health for Lothian Appeal Society Governance arrangements.

84.3.4 It was agreed, to apply appropriate governance arrangements, that a formal report should be presented to the Board in the near future.

SG

85. Operational Audit Sub-Committee

85.1 Minutes of the Operational Audit Sub-Committee held on 23 November 2009 – the previously circulated Minutes of the Operational Audit Sub-Committee meeting held on 23 November 2009 were adopted.

85.2 Update on the Operational Audit Sub-Committee held on 25 January 2010 - The Chair gave a brief update on the Operational Audit Sub-Committee held on 25 January 2010 and highlighted that issues would be picked up during the course of the agenda.

86. Linkages with Other Board Committees

86.1 Finance & Performance Review Committee Minutes - the previously circulated Minutes of the Finance & Performance Review Committee meetings held on 14 October and 9 December 2009 were received.

86.2 Healthcare Governance & Risk Management Committee Minutes - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on 4 August, 6 October and 1 December 2009 were received.

86.2.1 The Committee was reassured that the Clinical Documentation Group were taking their issues with unsatisfactory attendance and difficulties related to achieving a quorum seriously. Work was ongoing.

86.2.2 Professor Murray gave a brief update highlighting the work of the Area Drug and Therapeutic Committee on minimising and reporting medicine incidents.

86.3 Staff Governance Committee Minutes – the Committee noted the minutes of the meeting held on 30 September 2009 had not been received. Members agreed that the minutes would be deferred to the next meeting.

87. Internal Audit

87.1. Internal Audit Progress Report (January 2010).

87.1.1 Mr Woods gave a brief overview of the report. As Finance has contracted CIPFA consultants, Mr Woods highlighted that the intended Finance Process Benchmarking exercise by Internal Audit had been cancelled. Also, in response to pressures on the service area, the IT Installation audit has been swapped for an audit of the TRAK system (the IT Installation audit has been included within next year's audit plan). These changes to the audit plan were approved. Overall, Mr Woods noted that the audit plan remains on schedule.

87.1.2 Mr Woods updated the Committee on the ongoing issues in respect of staff absences within Internal Audit. Mr Woods highlighted the costs of paying staff who are absent, plus the fees incurred in hiring temporary staff to cover the work. Also, Mr Woods commented on the time taken up in managing staff cases, and the extra pressures being placed on the management team. Mr Woods noted the team's requirement to fulfil the needs and expectations of NHS Borders, as well as providing a quality service to NHS Lothian. Mr Woods expressed concerns regarding the team's ability to maintain the consistency and quality of the service delivered if the current staffing issues are not resolved.

87.1.3 Ms Douglas expressed concerns about the impact staffing issues are having on remaining team members, and commented that noting the situation in the minutes would not be sufficient. It was suggested that the current situation could be referred to Human Resources and the Staff Governance Committee.

Mr Egan and Dr Winstanley entered the meeting

87.1.4 Mr Egan agreed to have an offline discussion to provide Mr Woods with advice, if and when required.

87.2 Internal audit Plan 2010-2013 – The Committee received the audit plan for 2010 to 2013 for comment, and specifically to approve the plan for 2010 to 2011.

87.2.1 Mr Woods introduced the Internal Audit Plan for 2010 to 2011 and highlighted that the plan comprised the audits that he would like to deliver, subject to the reservations already expressed about staffing within Internal Audit. Mr Woods noted that the audit plan had been discussed with Executive Directors and General Managers individually, and each audit had been specifically supported or requested by at least one Executive Director or General Manager. The plan had also been presented to the Executive Management Team and Operational Audit Sub-Committee, and comments from those bodies had been incorporated.

Professor Barbour entered the meeting

87.2.2 Professor Murray commented that she considered some of the audit titles to be unclear. Mr Woods advised that the descriptions against each audit intended to give an outline of the proposed scopes. As each audit falls due, a terms of reference will be agreed and, if necessary, titles and scopes could be further clarified then.

87.2.3 Dr Winstanley noted the improved use of resources and welcomed the new timescale for the audit plan. Dr Winstanley requested that Mr Woods consider whether any of the audits might duplicate work being done by other parties, and mentioned in particular the proposed audit of Community Health Partnerships – Governance. Mr Woods advised that the scope and timing of this audit had been discussed and supported by the General Managers. However, Mr Woods would certainly take account of Dr Winstanley's comments when the individual audits are being planned.

87.2.4 The Chair reported that the Committee was content to approve the plan subject to the issues raised at the meeting. He then went on to thank Mr Woods for his report.

87.3 Government Internal Audit Standards – The Committee received Internal Audit's response to the new Government Internal Audit Standards.

87.3.1 Mr Woods highlighted the proposed amendments to the SFIs stating that the Chief Executive, Director of Finance and Chief Internal Auditor would review the management reporting line of the Chief Internal Auditor annually to confirm

that independence is being maintained. It was agreed that the Role of Internal Audit Section in the SFIs would be updated to cover the requirements of the Government Internal Audit Standards.

87.3.2 The Committee agreed that for the avoidance of any doubt it should be clear in the SFIs that, notwithstanding reporting arrangements, automatic and direct access to the Accountable Officer was available to the Chief Internal Auditor as and when required. Mr Woods noted that the SFIs already contain a statement to that effect.

87.4 Internal Audit Strategy.

87.4.1 Mr Woods explained that the new Government Internal Audit Standards required the Chief Internal Auditor to produce a specific Internal Audit Strategy. He invited members to make comments on the strategy document presented.

87.4.2 Ms Douglas suggested that the document could focus more on the future direction of Internal Audit specifically in relation to the Community Health Partnerships, the sharing of reports and developing new ways of working. The Chair suggested that it would be useful if Ms Douglas followed up on these points with Mr Woods outside of the meeting.

87.4.3 As an aside to the Internal Audit Strategy, the Committee noted that the Head of CID, Lothian and Borders Police had recently presented to the Executive Management Team, and discussed the health board developing a counter-fraud anti-organised crime strategy. It was noted that high value public contracts were being targeted by fraudsters. Members welcomed any counter-fraud approach and looked forward to future developments.

88. External Audit

88.1 NHS Lothian – Review of Internal Audit 2009/2010.

88.1.1 Ms Russell gave a brief overview highlighting the two areas in the Government Internal Audit Standards that required further attention (reporting line of the Chief Internal Auditor, and need for an Internal Audit Charter); it was noted that the Chief Internal Auditor had already identified and discussed these topics with the Committee. Audit Scotland will continue to review Internal Audit's actions in relation to these issues.

88.1.2 Members noted that Audit Scotland had concluded that Internal Audit had operated in accordance with NHS Internal Audit Standards and had sound documentation standards and reporting procedures in place.

88.1.3 Ms Russell reported that Audit Scotland planned to review and consider Internal Audit's work during specific reviews:

- Staff Performance Management – Non-medical

- Sickness & Other Absence Management
- Information Governance
- Pay and Rewards Framework.

88.1.4 As an aside to Audit Scotland's review of Internal Audit, the Committee raised some concerns regarding specific language used by auditors, and limited information to explain Audit Scotland's level of fees.

88.1.5 The Committee agreed to note the paper.

88.2 Audit Scotland – NHS Lothian Draft Annual Audit Plan 2009/10 – the tabled report to inform the Committee of the Audit Scotland planned audit activity for 2009/10 was received.

88.2.1 Ms Woolman gave a detailed presentation on the NHS Lothian Draft Annual Audit Plan 2009/10 and invited members to comment on the plan.

88.2.2 Members questioned the accuracy of the information relating to significant grievances and employment tribunals registered against NHS Lothian, as conflicting reports had been received by the Board. It was also noted that the risks to the Board in relation to the £15m shortfall in respect of the New Royal Hospital for Sick Children should be highlighted in the report.

88.2.3 Mr Egan thanked Ms Woolman for her report and welcomed the information on NRAC. He then agreed to forward further comments to Ms Woolman out with the meeting.

88.2.4 The Chair commented that paragraph 24 should be amended to state that the government estimated that NHS Lothian will be some £56.4 million short of their required funding position as identified by NRAC as at 31 March 2010.

88.2.5 Ms Woolman agreed to take forward all issues raised by the Committee and invited members to provide further comments to Ms Russell within two weeks. **GW/ALL**

89. Corporate Governance

89.1 Draft NHS Lothian Standing Orders Pack – the previously circulated Draft NHS Lothian Standing Orders pack and information therein was received.

89.1.1 Mr Payne introduced the draft standing orders and gave a detailed overview of the review over the past 18 months highlighting the changes made.

89.1.2 The Committee discussed the amendment in relation to achieving a quorum. It was agreed that an additional clause would be added to the SFIs to ensure that persistent trends were flagged to the Board.

89.1.3 The Committee discussed the draft Standing Financial Instructions. The Chair noted that an additional clause should be added to prevent people fraudulently opening a banking account in the name of NHS Lothian. Mr Payne was also asked to take further advice from procurement, with respect to how meeting

legal responsibilities on public procurement tendering sits with the Board's intention to promote the use of local food suppliers..

89.1.4 It was agreed that the draft be amended to indicate that it is the Cabinet Secretary who issues instructions in relation to the remuneration of the Chair and other Non-Executive Directors.

89.1.5 It was agreed that further discussions with Mr Graham and the Central Legal Office regarding the PFI partners section were required; further work in relation to enhancing the Tendering and Catering sections were also discussed.

89.1.6 The Committee discussed that delegation of authority had not been taken into account in paragraph 13.2.1.1 and further work to close down language was required to assure members that higher authority would be sought to approve overspend.

89.1.7 The Committee also requested that further consideration be given to how the SFIs are made understandable, and effectively communicated throughout the organisation. The Committee concluded that it is essential that all employees understand the significance of the SFIs, and that it is their duty to observe them in practice.

89.1.7 Mr Payne and Ms Goldsmith agreed to take forward all the changes requested by the Committee and bring back a report at the next meeting. **AP/SG**

89.2 Summary Assurance Report on Best Value - the report to represent the best value assurance report as requested at the 22 June 2009 Audit Committee was received.

89.2.1 Ms Goldsmith advised the Committee that the NHS Lothian had markedly improved on its previous score in respect of the Clinical Governance & Risk Management Standard (January 2010) from 5 to 9. She then noted the recommendation that the Board develop a systematic approach to documenting the evaluation activity taking place across a range of areas and the approval of the Local deliver plan at Board level.

89.2.2 Members noted that continuous improvement needed to be highlighted; further information regarding LEAN, KAIZEN and the Lothian Partnership Forum also needed to be included. Mr Payne agreed to make the necessary amendments. **AP**

89.2.3 The Committee agreed to note the paper.

Professor Murray left the meeting

89.3 Overview of the NHS in Scotland's Performance 2008/09 – Ms Woolman introduced the previously circulated overview of NHS in Scotland's Performance 2008/09 and noted 38% growth in expenditure, pay cost

pressures, the key messages, challenges and the performance management key indicators.

89.3.1 The Committee thanked her for her helpful report and noted the timely issues within.

89.4 Shadow IFRS Accounts – the previously circulated report to brief the Committee on the progress towards the transition to the accounting and reporting requirements of IFRS and to present the revised format of accounts that arise from adopting the revised accounting standards encapsulated within the revised International Financial Reporting Manual was received.

88.4.1 Mr Martin presented the report to the Committee including an update on the position to date. Ms Goldsmith thanks Mr Martin for his report.

88.4.2 The Committee agreed to note the progress towards adoption of IFRS, which will be completed on approval of the Annual Accounts for financial year ended 31 March 2010.

Dr Winstanley left the meeting

89.5 Scott Moncrieff: NHS National Services Scotland – End to End Logistics Testing – the previously circulated Scott Moncrieff: NHS National Services Scotland – End to End Logistics Testing report was noted.

89.5.1 Members noted that the review of the three sample health boards had highlighted a need for National Procurement (Logistics) and health boards to work together to improve the adequacy and consistency of the control environment over the logistics process. While NHS Lothian was not one of the sample boards, NHS Lothian has recently taken part in Scott Moncrieff's follow-up review. The follow-up report is now awaited, and any specific actions required by NHS Lothian will then be taken forward with Procurement.

89.6 NHS Scotland Counter Fraud Services: Quarterly Reports – September & December 2009 – the Committee noted the previously circulated quarterly reports from Counter Fraud Services.

89.6.1 Mr Woods gave an overview of the reports and highlighted that Operation Gem was one of NHS Lothian's cases. Operation Gem concerns a former member of the admin staff bank who had falsified timesheets to claim £1,600 of wages fraudulently. The ex-employee had pleaded guilty and been sentenced. Members noted that the outcome of the case had been publicised in the Edinburgh Evening News the previous weekend. Mr Woods agreed to liaise with Ms Stirton to publicise within the organisation.

DW

89.7 Briefing on the Counter Fraud Action Group – the report to brief the Committee on the activities of the Counter Fraud Action Group was received.

89.7.1 Mr Payne advised the committee that the Group was established and had met on three separate occasions and an action plan was being drafted. Mr Payne advised that the approach was being developed from first principles, as research had not identified an example of a counter fraud group or a sample

fraud action plan from any other organisation. However the approach being pursued by the Group was informed by published standards on fraud management and audit exercises conducted elsewhere.

89.7.2 The Committee agreed to note the progress to date.

89.8 Summary Technical Bulletins – the report to brief the Committee on the latest releases from Audit Scotland was received.

89.8.1 Mr Martin gave an overview of the paper and drew attention to the review of the combined code of corporate governance by the Financial Reporting Council. He noted that whilst the Financial Reporting Council have expressed the view that there was no need for a complete review of the code, 3 areas remained worthy of further examination.

89.8.2 The Committee noted the relevant highlights of the technical bulletins detailed in the report.

90. AOCB

90.1 National Audit Committee Forum – the Committee agreed to support Mr Renwick in his new role as Chair of the National Audit Committee Forum.

91. Date of Next Meeting

91.1 It was noted that the next meeting of the Audit Committee would be held on Monday 12 April 2010 at 9.00am in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 12 April 2010 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Mr S Renwick (In the Chair); Mrs T Douglas and Professor P Murray.

In Attendance: Professor J J Barbour (Chief Executive); Ms S Blyth (Audit Scotland); Mrs S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr A Payne (Corporate Governance and VFM Manager); Mr J Skinner (Risk Manager); Dr C J Winstanley (Chair, NHS Lothian); Mr D Woods (Chief Internal Auditor) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Ms Woolman, Ms Russell and Mr Miller.

Declaration of Financial and Non-Financial Interest

The Chair reminded members they should declare any financial and non-financial interest they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Mr Renwick, Mrs Douglas and Professor Murray declared an interest as Trustees of the Endowment Fund, in respect to references to Lorna's Lottery within the items for consideration.

92. Minutes of the Previous Meeting

92.1 The previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 8 February 2010 were approved subject to the following minor amendment:

- The Chair requested that the welcome paragraph be amended to state that he had taken up the position as Chair whilst Ms Jamie was on secondment within the NHS.

93. Matters Arising

93.1 Matters Arising from the Meeting of 8 February 2010 – the Committee noted a previously circulated paper detailing the matters arising from the Audit Committee meeting held on 8 February 2010, together with the action taken and the outcomes.

93.1.1 Mr Payne introduced the action note. He highlighted that the standard format for annual reports was complete; Mr Peter McIntyre had been appointed as Head for Counter Fraud Services and shall attend a future Committee meeting; all other items would be picked up through the agenda.

93.1.2 Professor Murray suggested that the standard Annual Report format could be used by other committees/ groups and sub-committees. Mr Payne advised that he would be using the template for the Operational Audit Sub-Committee. He agreed that other Committees could use the template if they wished, and that this had been highlighted to colleagues when the template was circulated.

94. Operational Audit Sub-Committee

94.1 Minutes of the Operational Audit Sub-Committee held on 25 January 2010 – the previously circulated Minutes of the Operational Audit Sub-Committee meeting held on 25 January 2010 were adopted.

94.1.1 Members noted that the Sub-Committee had a vacancy, and on one occasion quorum was not achieved. It was agreed that further discussion was required within the Board with respect to membership, to reduce the risk of this recurring.

94.2 Update on the Operational Audit Sub-Committee held on 29 March 2010 - The Chair gave a brief update on the Operational Audit Sub-Committee held on 29 March 2010 highlighting concerns raised in response to the Use of Spire Healthcare report and the subsequent referral of the report to the Healthcare Governance and Risk Management Committee for further discussion.

94.2.1 Professor Murray advised that the report had gone to the Healthcare Governance & Risk Management Committee although the Committee had not taken into account the Audit Committee Chair's specific concerns regarding the lack of clarity over who would be accountable for any negligence claims and the level of indemnity provided when limited companies/partnerships formed by doctors and nurses were contracted to provide services. Therefore, further discussions at the Healthcare Governance and Risk Management Committee were required. Professor Murray advised that she would be responding to Mr Renwick's query in writing.

PM

94.2.2 Mr Skinner advised that he had recently drafted a clinical governance paper on similar issues with Ms Dawson (Associate Nurse Director) and suggested benefit in delaying that paper until further revisions could be made to cover the Committee's concerns.

JS/PD

95. Linkages with Other Board Committees

95.1 Finance & Performance Review Committee Minutes - the previously circulated Minutes of the Finance & Performance Review Committee meetings held on 10 February 2010 were received.

95.2 Healthcare Governance & Risk Management Committee Minutes - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on 23 February 2010 were received.

95.2.1 Professor Murray advised the Committee of the benefits of the reconfiguration of the reporting matrix and the need to monitor the development of the Catering Strategy.

Dr Winstanley entered the meeting.

96. Internal Audit

96.1. Internal Audit Progress Report (March 2010) - the previously circulated report to update the Audit Committee on the progress of the Internal Audit Plan was received.

96.2 Mr Woods presented the report. The audit team had issued 6 final reports since the Operational Audit Sub-Committee of 25 January 2010. With respect to counter fraud activity, an ex-employee was sentenced to 200 hours' community service for falsifying timesheets. Another ex-employee was sentenced to 4 months in jail for altering medical certificates for sick-leave, thereby claiming wages fraudulently. Also a nursing assistant suspected of working elsewhere whilst on sick-leave had been called to court for a pleading diet, however the ex-employee had failed to turn up, resulting in the issue of an arrest warrant.

The Committee were advised that an article had been submitted for Connections to inform staff about the recent fraud convictions. It was also noted that Ms Stirton, Director of Communications, sat on the Counter Fraud Action Group.

96.3 Mr Woods updated the Committee on the ongoing issues in respect of staff absences within Internal Audit. Mr Woods highlighted that one member of staff who had returned from sick-leave was currently working in another department. Also capacity within internal audit has been reduced with the departure of the temporary auditor whose contract had come to an end. Team members' appeals regarding job bandings under Agenda for Change have been unsuccessful, meaning that recruitment would remain challenging should any vacancies arise. Mr Woods agreed to bring forward a fuller report to the next meeting.

DW

96.4 Mrs Goldsmith advised that she had raised the staff absence issues with the Director of HR and he had agreed to look into individual cases.

97. External Audit

97.1 Audit Scotland – NHS Lothian Annual Audit Plan 2009/10 (Final Version) – this was received by the Committee.

97.1.1 Ms Blyth introduced the report, highlighting the minor change to the figure in paragraph 24 to £56.4 million.

97.1.2 The Chair expressed concerns in relation to value of the financial narrative within the document and the intended audience for the report as he felt that it was a statement of the self-evident for the HB and thus did not add value. Ms Blyth reassured the Chair that the report followed a similar pattern to that produced elsewhere and it was solely intended for the Audit Committee.

97.1.3 Professor Murray reported as a result of the recent risk workshop for directors, the risk register was to be updated. Members noted that following the risk register being updated, Audit Scotland would have the opportunity to review the register. Mr Skinner went on to advise that the workshop approach would be piloted in the University Hospital Division prior to rolling it out to Community Health Partnerships and the Community Health and Care Partnership, to promote consistency across the Board. It was agreed that the outcome of these risk sessions should be fed back to the external audit team.

97.1.4 Dr Winstanley highlighted that in a bid to close the risk gap the Board would receive regular reports in respect of the level of risk the Board was carrying.

98. Corporate Governance [Suggest that this section is checked by Alan Payne]

98.1 Draft NHS Lothian Standing Financial Instructions – the previously circulated report requesting that the Committee recommend the draft NHS Lothian Standing Financial Instructions (SFIs) to the Board was received.

98.1.1 Mr Payne introduced the revised draft SFIs and gave a detailed overview of the changes made since the February meeting.

98.1.2 The Committee discussed the revision of the SFIs into Plain English with the aim to simplify the language and make them less legalistic. In addition to this, the Assistant Corporate Governance & VFM Manager has devised a set of frequently asked questions.

Professor Barbour entered the meeting.

98.1.3 Mr Payne advised that he had taken further advice from procurement, with respect to how meeting legal responsibilities on public procurement tendering sits with the Board's intention to promote the use of local food suppliers. They had advised that the intention to encourage the use of local suppliers could be pursued, provided that value-for-money is achieved, and there are open, transparent and reasonable criteria in the tender that are relevant to the performance of the contract. The criteria could take into consideration the Board's environmental and social responsibilities. All offers must be considered objectively and fairly.

98.1.4 Mrs Goldsmith reported that a Management database had been developed to ensure that the SFIs were received, read and understood by all staff. The Chair queried whether the SFIs were included in the Induction Process for Senior Management. In response Ms Goldsmith advised that there was a Finance module in the induction process, however she was unsure whether this included the SFIs. She agreed to check on this and feedback to the Committee.

SG

98.1.5 The Chair requested vis-a-vis Page 6, item 2.13 (c) in respect of the securing best value in the use of resources, that guidance as to what this means should be made available in the organisation. Mr Payne agreed to add published

guidance on the intranet. From section 7 onward the Chair requested that the use of specific titles of responsible officers, where appropriate, should be amended to state designated senior officer where appropriate, so as to make the document less sensitive to any changes that may occur in the future. On page 24, the section titled Public Private Partnerships should be enhanced, adding the term “Non Exchequer Financing”.

98.1.6 The Committee agreed that an additional paragraph be included in the introductory section, making explicit the requirements for managers to have read the SFIs, and to state when the SFIs shall be reviewed.

98.1.7 Professor Barbour welcomed the clear statement within the draft that states he will ensure that services level agreements for the provision of services recover the costs borne by the Board, and minimise any risk to the Board.

98.1.8 The Committee agreed to recommend the SFIs to the Board subject to Mr Payne making the necessary amendments.

AP

98.2 Draft NHS Lothian Scheme of Delegation – the report to ask the Committee to recommend the draft NHS Lothian Scheme of Delegation was received.

98.2.1 Mr Payne introduced the draft scheme of delegation. He explained that the SFIs were high level principles, fundamental requirements that all decisions, policies and procedures should be consistent with. The scheme of delegation is a key procedure that puts these principles into practice.

98.2.2 The Chair requested that scheme of delegation should be disseminated to the wider organisation through the intranet. Also, Professor Barbour highlighted that at present the current pagination was not consistent with the contents page. Mr Payne agreed to take forward these issues.

AP

98.2.3 Ms Goldsmith assured the Committee that Ms Potter would be going to various Management Committees to advise staff on the developments in relation to procedures for submissions of business case.

98.2.4 The Committee agreed to recommend the Draft NHS Lothian Scheme of Delegation to the Board.

98.3 Appendices to the NHS Lothian Standing Orders – the previously circulated report to advise the Committee with the items in the Standing Orders pack that have not been reviewed at present was received.

98.3.1 Dr Winstanley queried whether an official response had been received for West Lothian Council in respect of formally accepting the West Lothian CHCP Framework of Governance. Mr Payne advised that the Council had approved the Framework in February, agreed to provide Dr Winstanley with confirmation on this point.

98.3.2 The Committee agreed to note the appendices and agreed that they should be recognised as appendices to the Standing Orders, subject to confirmation that West Lothian Council had approved the CHCP Framework of Governance.

98.4 Corporate Risk Register – the previously circulated report to update the Committee on the NHS Lothian Risk Register was received.

98.4.1 Mr Skinner gave a brief overview of the report reiterating the proposal to pilot risk workshops to the University Hospital Division prior to rolling them out across the Board.

98.4.2 Dr Winstanley queried whether there was any scope to discuss amending the risk assessment template as issued by the Scottish Government, so as to have a clearer differentiation of the relative significance of each risk. Mr Skinner noted that the template had been agreed nationally, however there is scope to amend it locally whilst enabling the Board to report nationally. The Chair suggested that a local scoring could be adapted to add more sensitivity to the risk analysis and that this could be mapped to national templates for external utilisation.

98.4.3 Professor Barbour noted his surprise at the risk rating in relation to pandemic influenza and podiatry and dental decontamination. He highlighted the need to ensure that changing risks were managed appropriately, and that it would be helpful if the reports did make it more evident the rate at which risks were being managed and taken off the register, and what was being added as new risks. Members were reassured that the podiatry/dental decontamination risks had been discussed at both Lothian Infection Control Advisory and Healthcare Governance and Risk Management Committees.

98.4.4 Dr Winstanley suggested that new business cases need to make full use of the intelligence from the risk registers. Bodies with responsibilities for reviewing business cases should be satisfied that the business cases have considered the relevant risks from the corporate / departmental risk registers, and that proposals will support the management of those risks.

98.4.5 The Committee agreed to note the report.

98.4.6 Ms Douglas expressed concerns in relation to the reputational risk to NHS Lothian in respect of comments posted on social networking sites. Members were assured the NHS Lothian pages were monitored by the Communications Team, however comments posted on individuals' pages were out with NHS Lothian's control. It was agreed that staff must be made aware that making comments that were damaging to the reputation of the Board were not acceptable.

98.5 Corporate Governance: Statement on Internal Control (SIC) – the previously circulated letter on Corporate Governance: Statement on Internal Control was noted.

98.5.1 Mr Martin gave a brief overview of the letter outlining the information provided in the annexes.

98.6 Technical Brief Overview – the previously circulated report to brief the Committee on the latest releases from Audit Scotland – 2009/4 dated December 2009 and 2010/1 dated March 2010 were received.

98.6.1 Mr Martin introduced the report highlighting the key sections of the technical bulletin and the Financial Reporting Council document attached.

98.6.2 The Committee discussed the changes to the consolidation process of the Endowments Funds; Endowment Funds would be required to be consolidated with the Annual Accounts in 2011-12. Ms Goldsmith advised that she was also awaiting the outcome of the OSCR review on NHS endowments.

97. AOCB

97.1 The Committee noted that there was no other competent business.

91. Date of Next Meeting

91.1 It was noted that the next meeting of the Audit Committee would be held on Monday 21 June 2010 at 9.00am in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 21 June 2010 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Mrs T Douglas and Mr S Renwick (in the Chair).

In Attendance: Ms S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D Miller (General Manager, Primary Care Contracts); Ms H Russell (External Auditor - Audit Scotland); Mr J Skinner (Risk Manager); Mr D Woods (Chief Internal Auditor); Ms G Woolman (External Auditor - Audit Scotland); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Professor Barbour, Mr Egan, Professor Murray and Dr Winstanley.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. The Chair and Ms Douglas declared an interest as Endowment Trustees in relation to the reference to Lorna's Lottery within the documentation.

100. Minutes of the Previous Meeting

- 100.1 Minutes of the Previous Meeting held on 12 April 2010– previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 12 April 2010 were approved as a correct record.
- 100.2 The Chair updated the Committee in respect of the lack of Non-Executive representation on the Operational Audit Sub-Committee. He noted that the issue had been resolved due to the appointment of Dr Williams; other appointments would be confirmed at a later date.
- 100.3 Mr Payne provided reassurance that he had provided confirmation that West Lothian Council had approved the CHCP Framework to Dr Winstanley.
- 100.4 With respect to risk management, the Committee noted that the proposal to adapt local scoring to add more sensitivity to the risk analysis and map this to national templates for external utilisation was still ongoing.

101. Matters Arising

101.1 Matters Arising from the Meeting of 12 April 2010 – the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 12 April 2010, together with the action taken and the outcomes.

101.1.1 Mr Payne gave a brief overview of the action note noting the Board approval and dissemination of the Standing Financial Instructions and Scheme of Delegation. Members also noted that the Head of Counter Fraud Services would attend the Executive Management Team prior to attending Audit Committee and Staff Governance Committee.

101.1.2 Mrs Goldsmith advised the Committee that work to transfer the staff lottery was still ongoing. It was agreed that a report would be brought forward to the next meeting.

SG

101.1.3 The Committee agreed to note the action taken in respect of the Matters Arising.

101.2 Running Action Note: Fire Safety Training – the previously circulated report to update the Committee on the progress of the fire safety training was noted.

101.2.1 Ms Douglas raised concerns in relation to the level of absence over the 18 Month period and called for clarification to be sought from Mr Boyter. It was agreed that Mr Boyter would be approached to clarify the sickness figures.

AP

102. Linkages with Other Board Committees

102.1 Finance & Performance Review Committee - Minutes of the Meetings held on 28 April 2010 - the previously circulated minutes of the Finance & Performance Review Committee meeting held on the 28 April 2010 were received.

102.2 Healthcare Governance & Risk Management Committee - Minutes of the Meeting held 6 April 2010 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on the 6 April 2010 were received.

102.2.1 The Chair noted the previous discussions in relation to the Patient Transport System. He advised members that he had raised concerns that there was no longer a Service Level Agreement (SLA) in place with the Scottish Ambulance Service (SAS); work to reconvene the transport group in Councillor Knox's absences was ongoing.

102.2.2 Ms Douglas advised that West Lothian CHP had recently appointed a new SAS representative for West, East and Midlothian and proposed utilising the opportunity to build stronger links with SAS. It was agreed that this would be feedback to the CHPs and CHCPs.

102.2.3 The Chair highlighted the ongoing discussions in respect of the lack of information in relation to limited liability partnerships within Spire and whether

the Board would remain accountable for clinical governance of the activity performed on their behalf by a third party.

103. Operational Audit Sub-Committee

- 103.1 Minutes of the Operational Audit Sub-Committee held on 29 March 2010 – the Committee noted the previously circulated minutes of the meetings of the Operational Audit Sub-Committee held on 29 March 2010.

Mr Martin entered the meeting

- 103.1.1 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meetings held on 29 March 2010.

- 103.2 Update on the Operational Audit Sub-Committee held on 31 May 2010 – the Chair gave a brief update of the discussions at the Operational Audit Sub-Committee meeting held on 31 May 2010.

104. Internal Audit Reports

- 104.1 Internal Audit – Audit Plan Update May 2010

- 104.1.1 Mr Woods gave a brief overview of the report and highlighted discussions regarding the proposed changes to the structure of the Internal Audit Team at the Operational Audit Sub-Committee; new ways of working with the aim to improve the service by reducing the number of audits and focusing on the details of each audit were also discussed.

- 104.1.2 The Chair advised that though the Operational Audit Sub-Committee did not have the authority to approve the changes to the Internal Audit Teams structure they fully supported them.

- 104.1.3 The Committee noted the previously circulated Audit Plan Update May 2010 and the assurances therein.

- 104.2 Internal Audit - Annual Report for 2009/10

- 104.2.1 Mr Woods spoke to the annual report and confirmed that Internal Audit's work indicated that adequate and effective internal controls had been operating throughout the year. He summarised that Internal Audit could report positively against the guidance for supporting completion of the Statement on Internal Control.

- 104.2.2 The Committee agreed to accept the report.

- 104.3 CFS Quarterly Report – March 2010

- 104.3.1 Mr Woods reported the CFS quarterly reports underlining Operations RINGO, GEM and MAGPIE from NHS Lothian. He then advised that NHS Lothian were demonstrating that they were proactive in referring cases. The Chair

requested that the work on Counter Fraud in NHS Lothian should be highlighted in the Statement of Internal Control.

RM

104.3.2 The Committee agreed to accept the CFS Quarterly Reports – March 2010.

105. General Corporate Governance

105.1 NSS Service Audit Reports 2009/10

105.1.1 NSS Service Auditor: Report on Practitioner Services Division Family Health Service Payment Controls from 1 February 2009 – 31 January 2010 (7 May 2010) – the Committee noted the assurances that supported the unqualified opinion within the previously circulated covering letter and Service Audit Report.

105.1.2 NSS Service Auditor: NSS National IT Services – Service Audit Report 2009/10 – March 2010 – the Committee noted the assurances that supported the unqualified opinion within the previously circulated covering letter and service audit report.

105.1.3 Scott Moncrieff: National Procurement Logistics – Service Audit Report 2009/10 – March 2010 – the Committee noted the assurances that supported the unqualified opinion within the previously circulated covering letter and service audit report.

105.1.4 NSS Service Auditor: SAS 70 – NHS NSS Financial Services for the period 1 April 2009 – 31 March 2010 (7 May 2010) – the Committee noted the assurances that support the unqualified opinion within the previously circulated covering letter and service audit report.

105.1.5 Ms Woolman advised that Audit Scotland received a statement of assurances from the external auditor for NSS which provided the required assurances.

105.2 Primary Medical Services – Quality Outcomes Framework/ Contractual & Statutory Review Outcomes 2009/10

105.2.1 The Committee noted the QOF/ Statutory & Contractual Review Programme Annual Report 2009/10, as a source of assurance for the statement of internal control.

105.2.2 Mr Miller noted that work with the General Managers to finalise arrangements for the QOF+ practice visits as an integral part of the new GP Quality Improvement Programme (GPQIP) was ongoing. The importance of CH(C)P sign up was raised. It was agreed that further discussions were required at PCPC to get a cohesive corporate approach.

DM/TD

Mr Miller left the meeting.

105.3 2009/10 Healthcare Governance Committee Annual Report to Lothian NHS Board - the previously circulated report to provide the Committee with the annual report of the Healthcare Governance & Risk Management Committee,

so as to provide a source of assurance with respect to the Statement of Internal Control was received.

105.3.1 The report provided a source of assurance to support the consideration of the overall Statement on Internal Control.

105.4 Annual Report of the Staff Governance Committee 2009/10 – the previously circulated report to provide the Committee with the annual report of the Staff Governance Committee, so as to provide a source of assurance with respect to the Statement of Internal Control was received.

105.4.1 The report provided a source of assurance to support the consideration of the overall Statement on Internal Control.

105.5 NHS Lothian Risk Management Annual Report 2009/10 – the previously circulated report to provide the Committee with the annual report in respect of NHS Lothian Risk Management, so as to provide a source of assurance with respect to the Statement of Internal Control was received.

105.5.1 Mr Skinner gave an overview of the risk management annual report summarising the main developments made by the risk management team in respect of auditing DATIX to assess whether it was fit for purpose, developing the risk register and strengthening links with the Scottish Patient Safety Agency.

105.5.2 In response to Ms Goldsmith's question Mr Skinner reported that the move to primary care would only strengthen links and work on the risk register.

105.5.3 Ms Douglas proposed that the methodology of compiling the register could be adapted to include public involvement. Mr Skinner noted he was keen to include public involvement facilitated through workshops; Mr Woods requested that counter fraud be built into the workshops.

JS

105.5.4 The Chair noted that the standard Board Paper template had been used as the covering paper for each annual report and took the opportunity to remind members that the "Impact of Health Inequalities" and "Resources implications" sections should always be completed.

105.5.5 The report provided a source of assurance to support the consideration of the overall Statement on Internal Control.

105.6 Lothian NHS Board Annual Report of the Chair of the Finance & Performance Review Committee Period: Ending 31 March 2010 - the previously circulated report to provide the Committee with the annual report of the Finance & Performance Review Committee, so as to provide a source of assurance with respect to the Statement of Internal Control was received.

105.6.1 The report provided a source of assurance to support the consideration of the overall Statement on Internal Control.

105.7 2009/10 Summary Assurance Report on Best Value – the report to brief the Committee on how NHS Lothian progresses the Best Value duty, so as to inform the consideration of the 2009/10 Statement of Internal Control was received.

105.7.1 The Committee noted that the QIS report evidenced continuous improvement in respect of the requirement for NHS Lothian to demonstrate best value. Members considered the report and noted the report as a source of assurance for the statement of internal control.

105.8 Lothian NHS Board Annual Report of the Chair of the Operational Audit Sub-Committee Period: Ending 31 March 2010 - the previously circulated report to provide the Committee with the annual report of the Operational Audit Sub-Committee, so as to provide a source of assurance with respect to the Statement of Internal Control was received.

105.8.1 The report provided a source of assurance to support the consideration of the overall Statement on Internal Control.

105.9 SFR 18.0 – Summary of Losses and Payments for the Year Ended 31 March 2010 – Ms Goldsmith introduced the report and highlighted that her concerns in relation to the changing guidance in respect of reclaiming monies from overseas patients for services provided; further discussions at the Executive Management Team on a payment in advance scheme were required.

105.9.1 The Committee discussed concerns that work in previous years to resolve the debt issue with the University of Edinburgh and the subsequent of reversal of positions. Discussion with the University of Edinburgh had taken place and work to resolve the outstanding debt was ongoing.

105.9.2 Mr Woods identified errors in the appendices in respect of the figures presented for overseas visitors and made reference to a CEL from Government that guided Boards to raise a case against overseas visitors if they fail to provide payment after being presented with the initial invoices.

105.9.3 The Committee agreed to accept the SFR 18.0 – Summary of Losses and Payment for the Year End 31 March 2010.

105.10 Formal Consideration Process - the Committee agreed that the resources made available to the Committee (e.g. through audit days and supplementary support) had been adequate for the Committee to discharge its functions.

105.10.1 In response to Ms Woolman's query the Chair advised the Committee that he would meet with Dr Winstanley to discuss increasing the Membership of the Audit Committee to ensure that a quorum would be maintained.

SR

106. External Audit Reports

106.1 NHS Lothian: 2008/09 Review of Internal Controls (1 & 2) - the previously circulated NHS Lothian: 2009/10 Review of Internal Controls Reports (1 & 2) from Ms Woolman were received.

106.1.1 Ms Russell spoke to both reports highlighting the recommendations in relation to Controlled Drugs Officers. She noted that there had been inconsistencies regarding the authorised signatory list between various sites. Work to check the information provided was ongoing.

106.1.2 It was agreed that the outstanding queries would be discussed with the Director of Pharmacy at the Operational Audit Sub-Committee and for issues to be picked up in the next report.

SR/GW

106.1.3 Mr Woods advised the Committee that the Operational Audit Sub-Committee would receive a report on Medicines Management in the near future.

106.1.4 After the Committee discussed the two matters carried over from this year it was noted that stores recommendations required further action, and a letter from the Director of Finance would be sent to the relevant managers. Mrs Goldsmith agreed to pursue issues related to Interface between Payroll and Human Resources.

SG

106.1.5 The Committee agreed to accept the reports.

107. Annual Accounts

107.1 Statement on Internal Control - a previously circulated paper, together with the draft letter Statement on Internal Control was received.

107.1.1 Mr Martin spoke to the Statement on Internal Control and the Committee noted the arrangements put in place to support the statement.

107.1.2 Following its review of the draft letter of Statement on Internal Control, the Committee agreed to support the Statement and recommend to the Board that, subject to minor additions in relation to counter fraud services, the letter be signed by the Chief Executive on its behalf.

BM

107.2 Accounting Policies – the previously circulated report on Accounting Policies was received.

107.2.1 The Committee confirmed that the Accounting Policies could be adopted for the Board.

107.3 Representation Letter - the Committee received a previously circulated report, together with a draft Letter of Representation to the External Auditors.

107.3.1 Following discussion, it was agreed that the statement properly represented confirmation to the External Auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2010, and to recommend to the Board that the letter be adopted.

107.4 External Audit - Lothian NHS Board - Report to those charged with Governance on the 2009/10 Audit - a previously circulated report to those charged with governance on the 2009/10 Audit was received.

107.4.1 Ms Woolman spoke to the report highlighting the matters arising, outcomes and that the audit opinion was unqualified.

107.4.2 The Committee agreed to accept the report subject to confirmation of the recommendation to reverse the inclusion of the £4.5 Million for the purchase of plots 14-16 and further dialogue with Scottish Enterprise.

107.5 Annual Accounts for the Year ended 31 March 2010 - the Committee received the annual accounts for 2009/10 and the Committee went through them in detail.

107.5.1 Following discussion, a number of minor amendments to the annual accounts were agreed and, subject to these amendments, the Committee agreed to recommend to Lothian NHS Board that it approve and adopt the annual accounts for year ended 31 March 2010.

107.6 NHS Lothian, Audit Committee Annual Report from the Chair – Year Ending 31 March 2010 – the committee noted the previously circulated NHS Lothian, Audit Committee Annual Report from the Chair – Year Ending 31 March 2010.

107.7 Lothian NHS Board Audit Committee – 2009/10 Notification to the Health & Wellbeing Audit Committee – the previously circulated letter and attached action plan was received.

107.7.1 The Committee agreed to approve the letter subject to the minor amendments suggested by Mr Woods in relation to the role of Counter Fraud Services.

108. Any Other Competent Business

108.1 The Committee noted that there were no other items of competent business.

109. Date of Next Meeting

63.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 11 October 2010 at 9.00am in Waverley Gate, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 11 October 2010 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr Egan, Mr B Peacock and Mr S Renwick (in the Chair).

In Attendance: Ms S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr P MacIntyre (Counter Fraud Services); Mr D Woods (Chief Internal Auditor); Ms G Woolman (External Auditor - Audit Scotland); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Professor Barbour, Mr A Boyter, Mrs T Douglas Professor Murray and Ms H Russell.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

Welcomes and Introductions

The Chair welcomed members to the meeting highlighting that it was Mr Peacock's first meeting as a public representative and highlighted his role within the Public Partnership Forum. Members were then invited to introduce themselves for the benefit of Mr Peacock and the colleagues in attendance from Counter Fraud Services.

110. Presentation from Counter Fraud Services: CFS Update

110.1 The Chair welcomed colleagues from Counter Fraud Services to the meeting reiterating the importance of Counter Fraud within NHS Lothian. He went on to extend a standing invitation to the Mr MacIntyre and his colleagues' to attend both Audit and Operational Audit Committees.

110.2 Mr MacIntyre reciprocated the Chair's invitation and highlighted that NHS Lothian was a beacon for Counter Fraud in Scotland. He went on to give a detailed presentation on Counter Fraud including challenges faced, proactive support in place, training and amendments to authorising surveillance. In conclusion he agreed to answer questions on the presentation.

Mr Egan entered the meeting.

- 110.3 The Committee discussed reclaiming payments from overseas patients not entitled to free care through the means of travel insurance and the need for verification systems at the General Practitioner referral stage of the process; work to assess private patient's rights to be in the country by the UK Borders Agency, General Practitioners and Private Patient Officers was also acknowledged.
- 110.4 Members discussed the benefit of using the Community Health Index (CHI) number to identify patients who have the right to free healthcare. It was noted that not all patients who have CHI numbers were not entitled to free healthcare and CHI numbers did not follow you through you treatment.
- 110.5 In response to the Chair's concerns about timescales and query whether there were KPIs in place. Mr Macintyre outlined the 6 month and 8 month time zones, measures to provide advance warning to the procurator fiscal and the impact of investigations referred to Lothian and Borders Police.
- 110.6 The Chair thanked Mr Macintyre and his colleague for their presentation and they left the meeting.

111. Minutes of the Previous Meeting

- 111.1 Minutes of the Previous Meeting held on 21 June 2010– previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 21 June 2010 were approved as a correct record.

112. Matters Arising

- 112.1 Matters Arising from the Meeting of 21 June 2010 – the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 21 June 2010, together with the action taken and the outcomes.

112.1.1 Mrs Goldsmith reported that draft heads of terms for settlement had been discussed in the orthodontist case and would be finalised by the end of the month. A provisional total of £550-600k had been identified.

112.1.2 In response to Mr Egan's query Mrs Goldsmith advised that she would endeavour to transfer the Staff lottery from exchequer and agreed to provide a report for the next meeting.

SG

112.1.3 The Chair highlighted the previous discussion at the Operational Audit Sub-Committee surrounding accountability for negligence, where clinicians contract to provide services as a private practice. He agreed to liaise with Mr Egan to jointly write to the Chair of Healthcare Governance and Risk Management Committee to seek further clarity.

SR

112.1.4 The Committee agreed to note the action taken in respect of the Matters Arising.

113. Operational Audit Sub-Committee

113.1 Minutes of the Operational Audit Sub-Committee held on 31 May 2010 – the Committee noted the previously circulated minutes of the meetings of the Operational Audit Sub-Committee held on 31 May 2010.

113.1.1 The Chair outlined recent discussions at the Operational Audit Sub-Committee in respect of the resurrection of the transport Committee. He proposed picking up this issue with Dr Winstanley out with the meeting. **SR**

113.1.2 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meetings held on 31 May 2010.

113.2 Update on Operational Audit Sub-Committee held on 27 September 2010 – the Chair gave a brief update on 27 September 2010 meeting outlining linkages with the Audit Committee Chair and Finance Director from NHS Borders and future linkage to the Scottish Ambulance Service and the Chair of Dumfries and Galloway Audit Committee.

114. Linkages with Other Board Committees

114.1 Finance & Performance Review Committee - Minutes of the Meetings held on 9 June & 9 August 2010 - the previously circulated minutes of the Finance & Performance Review Committee meetings held on the 9 June and 9 August 2010 were received.

114.1.1 The Committee discussed the issues related to the development of the new Royal Hospital for Sick Children, the factors that inhibited informed decisions and missed opportunities to challenge or explore the project in full.

114.1.2 It was agreed that Mr Woods would be tasked to perform a special project audit subject to the agreement of new titles to encompass recapturing the project prior to further lapses and to ensure that all decisions taken in respect of the project were impact assessed. **DW**

114.1.3 The Chair agreed to raise the issues with Mr Walker, Chair of Finance and Performance Review Committee out with the meeting. **SR**

114.2 Healthcare Governance & Risk Management Committee - Minutes of the Meeting held 3 August 2010 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on the 3 August 2010 were received.

114.2.1 Mr Egan raised concerns in relation to the increased number of incidents of breaching confidentiality when inappropriate members of staff access medical notes; in particular the potential reputational damage to NHS Lothian. The chair agreed to pick up these issues with the Chairman out with the meeting. **SR**

114.3 Staff Governance Committee – Minutes of the Meeting held on 21 May 2010 – the previously circulated minutes of the Staff Governance Committee meeting held on the 21 May 2010 were received.

115. Internal Audit Reports

115.1 Internal Audit Progress Report (September 2010)

115.1.1 Mr Woods gave a brief overview of the report highlighting that overall there had been good progress made with the audit plan however there had been staff issues within the department resulting in the audit plan not being completed by the end of the year. He proposed that a total of 7 audits be carried forward to the next year to include, the H1N1 Post-Event Review, Laboratories, Community Hospitals or Health Centres, Community Health Partnership Governance, Project Change & Management, Patients' Funds & Valuables and Cedar System.

115.1.2 Mr Woods advised that an audit of the Royal Hospital for Sick Children Reprovisioning Project was proposed as an addition to the plan. He explained that auditing a complex project requires specialist skills not currently held within the Internal Audit team. Therefore, he has approached PricewaterhouseCoopers (PwC) to hire a specialist auditor for the required period. Mr Woods reported that the Director of Finance and Chair of the Audit Committee were supportive of this proposal. In selecting PwC, Mr Woods reported that PwC had relevant experience as the internal auditors for NHS Greater Glasgow & Clyde, NHS Grampian and non-territorial health boards. In particular, PwC has acted as project auditors for NHS Greater Glasgow & Clyde's £500 million South Glasgow Hospital project and NHS Grampian's Emergency Care Centre (developed under Framework Scotland, as with the Royal Hospital for Sick Children project). Also, PwC has been appointed by NHS National Services Scotland to be the Central Framework Auditor for Framework Scotland.

115.1.3 The Committee noted the previously circulated internal audit progress report (September 2010) and the assurances therein.

116. External Audit

116.1 Audit Scotland: NHS Lothian Report on 2009/10 Audit to the Board and the Auditor General (final) - report to provide the Committee with the external auditors' report on NHS Lothian for 2009/10, completed by Audit Scotland was received.

116.2 Mrs Woolman gave a detailed overview of the report highlighting the key messages, the risk that need to be managed, the satisfactory corporate governance and control systems operation throughout the year and the challenges that the board faces in the current financial climate from the report and invited member to ask questions on the report.

116.3 In response to Mr Egan's question Mrs Woolman advised that it was the role of the External Auditors to ensure that NHS Lothian as an organisation worked to get best value for money and renegotiate contracts where necessary.

117. Corporate Governance

117.1 National Fraud Initiative – the previously circulated report to update the Committee on the results of the National Fraud Initiative (NFI) 2008/09 and give an overview of progress with NFI 2010/11 was received; Mr Egan declared an interest in this paper.

117.1.1 Mr Woods gave an overview of the report highlighting the key issues with in the document including the fact that payroll matches identified no cases of fraud where as the UK visa matches had identified 4 anomalies.

117.1.2 The Committee noted that the early steps for the National Fraud initiative 2010/11 were already underway, including the completion of the Self-Assessment Checklist provided within Audit Scotland National Summary. Mrs Woolman thanked Mr Woods for his reports and went on to highlight that the counter fraud training sessions may find the case studies within exhibit 5 of the report useful.

117.1.3 Mr Egan welcomed the document as a whole then reiterated the importance of partnership involvement particularly if patient care would be impacted.

117.1.4 The Committee noted the result and the progress with the National Fraud initiative.

117.2 Counter Fraud Services Quarterly Report – June 2010 – the Committee noted the previously circulated Counter Fraud Services Quarterly Report – June 2010 and the information there in.

117.2.1 Mr Woods introduced the report highlighting the three cases relevant to NHS Lothian; Genome, Capri and Horizon.

117.3 Technical Bulletin Summary – the report to brief the members on the latest releases from Audit Scotland- 2010/2 dated June 2010 was received.

117.3.1 Mr Martin introduced the report noting the relevant highlights within the technical bulletin including the disclosure note within the annual accounts, changes within the assumptions, changes to the corporate governance code general principals and the new disclosure requirements.

117.3.2 Members were advised that some Non-Executive Directors of the Board had not been through the disclosure process and that the committee should be mindful that new and current Non- Executive Directors were capture through the new requirements.

117.3.3 The Committee discussed that item 4.2 (b) was not clear in relation to the responsibility of Non-executive Directors, the time commitment expected of all Directors and how this would be enforced.

117.3.4 The Committee noted the relevant highlights within the Technical Bulletin.

117.4 Response to Consultation on Audit Scotland Code of Practice – the Committee noted the letter and the reflections from Mrs Goldsmith, Mr Martin and Mrs Potter therein.

117.5 Draft Patients Private Funds Annual Accounts 2009/10 – the previously circulated report to recommend to the Board that the patients' funds accounts for the year ended 31 March 2010 for NHS Lothian Board can be approved.

117.5.1 The Committee:

- Reviewed the report of the external auditor (KPMG) on the Patients' Private Funds accounts for the year ended 31 March 2010 and agreed to refer it to the Board.
- Reviewed the draft Patients' Private Funds accounts for the year-ended 31 March 2010.
- Agreed to recommend to the Board that the Chairman and Chief Executive sign the "Statement of Lothian NHS Board Members' Responsibilities" on the Board's behalf.
- Agreed to recommend to the Board that following consideration of the abstract, the Director of Finance and Chief Executive sign the "Abstract of Receipts and Payments" (SPR 19.0)
- Agreed to recommend to the Board that they approve the entire draft Patients' Private funds accounts for the year end 31 March 2010.
- Reviewed the draft letter of representations and agreed to recommend to the Board that the Chief Executive sign the letter of representation on behalf of the Board.

117.5.2 Mr Egan advised the Committee of issues surrounding patient funds and the lack of safeguards for vulnerable adults that were not on incapax and the potential reputational risk this held for NHS Lothian.

117.6 Draft Response to "Future Approach to Governance" Consultation Paper – the previously circulated paper to provide the Committee with an opportunity to contribute to the response to the "Future Approach to Governance" consultation paper was received.

117.6.1 Mr Payne tabled an updated response and requested that members provide comments out with the meeting.

ALL

118. Any Other Competent Business

118.1 December Meeting – the Committee agreed that there would be a private session with the auditors at the December meeting of the Audit Committee.

118.2 Dates for 2011 – the Committee noted that all 2011 meetings will now be held on Tuesdays to ensure that all members could attend.

119. Date of Next Meeting

119.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 6 December 2010 at 9.00am in Waverley Gate, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday 6 December, 2010 in Meeting Room 8, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr E Egan; Mrs T Douglas; Mr B Peacock; Mr S Renwick (in the Chair) .Mrs P Murray

In Attendance: Dr C J Winstanley, Professor J J Barbour; Ms S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mrs H Russell (External Auditor – Audit Scotland); Mr D Woods (Chief Internal Auditor); Ms G Woolman (External Auditor - Audit Scotland), Mr A Payne (Corporate Governance & VFM Manager) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr D Miller.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. No interests were declared.

120. Minutes of the Previous Meeting

120.1 Minutes of the Previous Meeting held on 11 October 2010– previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 11 October 2010 were approved as a correct record.

120.2 In response to Mr Peacock's query about the move to a register based approach to disclosure Mr Renwick noted that the members had previously discussed whether all members should go through the disclosure process whilst advising that the move to the register would be revisited in the near future.

121. Matters Arising

121.1 Matters Arising from the Meeting of 11 October 2010– the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 11 October 2010, together with the action taken and the outcomes.

121.1.1 Mr Payne introduced the action note outlining the progress with the 2009/10 review of internal controls, progress with staff lottery and RHSC Re-provisioning project.

121.1.2 Mrs Goldsmith reassured the Committee that the staff lottery would be transferred from exchequer within the current year.

121.1.3 The Committee agreed to note the action taken in respect of the Matters Arising.

122. Operational Audit Sub-Committee

122.1 Minutes of the Operational Audit Sub-Committee held on 27 September 2010 – the Committee noted the previously circulated minutes of the meetings of the Operational Audit Sub-Committee held on 27 September 2010.

122.1.1 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meetings held on 27 September 2010.

122.1.2 Update on Operational Audit Sub-Committee held on 29 November 2010 – the Chair gave a brief update on 29 November 2010 meeting noting the attendance of the Chair of the Audit Committee of NHS Dumfries and Galloway to strengthen links between Boards. The committee noted the Chair's commitment to attend the NHS Borders Audit Committee at the end of the month.

123. Linkages with Other Board Committees

123.1 Healthcare Governance & Risk Management Committee - Minutes of the Meeting held 5 October 2010 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on the 5 October 2010 were received.

123.1.1 Professor Murray outlined previous discussions at the Healthcare Governance and Risk Management Committee in respect of the NHS Lothian Risk Register Report. The committee had asked how Internal Audit links into the risk register: Internal Audit will continue to review various documents including the risk register during the development of the audit plan.

123.1.2 Mrs Douglas queried how the Committee intended improving the communication issues between acute and the CHCPs/ CHPs. After some discussion with Mr Egan regarding the detail of the minute it was agreed that Mrs Douglas would take this issue forward offline.

123.2 Staff Governance Committee – Minutes of the Meeting held on 29 September 2010 – the previously circulated minutes of the Staff Governance Committee meeting held on the 29 September 2010 were received.

123.2.1 Members were advised of the progress and barriers in achieving the HEAT target in respect of E-KSF.

123.2.2 The Committee discussed how individual members of staff involved in investigations gain legal representation. The Committee noted that the position being taken by the Central Legal Office was to represent the body corporate rather than individual staff members. Mr Egan and Mr Boyter had

TD

been tasked with seeking clarity and providing alternative arrangements for staff if necessary.

123.2.3 The Chair noted the links between the position of the Central Legal Office and the recent discussions surrounding services provided by Spire Healthcare. He requested that Ms Goldsmith check whether the standard terms of the contract with Spire provide sufficient cover for NHS Lothian irrespective of who Spire employs to perform the work, eg consultants working individually or consultants working as part of limited companies..

SG

123.2.4 The Chair reminded the Committee of the importance of ensuring that all staff attended mandatory training. Training would be monitored at the Executive Management Team through regular reports from the Director of Human Resources.

Mrs Russell entered the meeting.

124. Internal Audit Reports

124.1 Internal Audit Progress Report (November 2010)

124.1.1 Mr Woods gave a brief overview of the report highlighting that overall there had been good progress made with the audit plan. The project sponsor for the RHSC Re-provisioning Project has requested that the proposed audit be delayed until March 2011; further discussions with the Project Sponsor will take place.

124.1.2 It was noted that recent counter-fraud reports had highlighted 3 employees suspected of working whilst on sick leave and 3 patients suspected of fraudulent claiming of travel expenses.

124.1.3 The Committee discussed what arrangements were in place if the internal audit team could not obtain information required during audits, or delays were experienced in receiving comments on draft reports,. The discussion touched on the need to balance the desire for good relationships against pressing for information or responses.

124.1.4 In response to a query from Mr Peacock about the vehicle fleet, the Chair advised that the Board does not own vehicles, but instead hires vehicles through a central contract. As a result, vehicles are maintained within the contract terms, thereby protecting the Board from exposure to increased maintenance costs. He went on to request Mr Peacock's assistance in the effective running of the revitalised Transport Access Committee.

124.1.5 The Committee noted the previously circulated internal audit progress report (November 2010) and the assurances therein.

125. External Audit

125.1 Audit Scotland: Priorities and Risks Framework (October 2010) and Audit Planning Process - previously circulated Audit Scotland Priorities and Risk Framework and Audit Planning Process report was received.

125.1.2 Mrs Woolman gave a detailed overview of the report highlighting the purpose of the priorities and risk framework as a planning tool to aid the development of the external audit plan. Mr Woods confirmed that the report fits in with the internal audit universe and he refers to the framework document when scoping audits.

125.1.3 The Chair expressed concerns that the section about the NHS Scotland Resource Allocation Committee (NRAC) was too light in respect of the background and it was unclear who was or was not benefiting from NRAC.

125.1.4 The Committee discussed the potential email, phone or text based initiatives to improve attendance at clinics as part of future saving plans. Members noted the current costs of Do Not Attends, and an initiative to display the number of patients who do not attend on clinic doors or notice boards.

125.1.5 Ms Woolman tabled a paper on the audit planning process and gave a brief overview highlighting that the Audit Plan would be brought forward to the next meeting of the Audit Committee whilst noting the challenges NHS Lothian would face as a result of budget cuts.

125.1.6 Professor Barbour highlighted that an increased level of risk had been imposed on Boards as a result of the reduced level of funding, and that the Framework document did not reflect this. Overall the Committee agreed that the document lacked the richness of detail in respect of the text, source, materiality of the risks presented. It was agreed that a paper to draw out these details would be submitted separate from the Audit Plan to the next meeting.

GW

125.1.7 On the Chair's request Mr Payne agreed to arrange a presentation on the impact of restructuring issues on NHS Lothian for the next meeting. (I don't have any more in my notes but I think this refers to changes within External Audit as a result of the Risk Assessment and how these would impact on the services they provide to the Board)

AP

125.2 Review of Internal Audit 2010/11 (29 November 2010) - the previously circulated Review of Internal Audit 2010/11 (29 November 2010) letter from Audit Scotland was received.

125.2.1 Mrs Russell introduced the letter, which explained that the actions taken by Internal Audit since the previous review ensured that the department is more closely aligned to the Government's Internal Audit Standards (GIAS). Overall, Audit Scotland concluded that Internal Audit operates generally in accordance with the GIAS and has appropriate documentation standards and reporting procedures in place.

125.2.2 The Committee noted that in order to rely on the work of internal audit and to assist with the audit of financial statements, Audit Scotland required key

financial systems to be covered on a more regular basis. As a consequence, in 2010/11, Audit Scotland plans to place formal reliance only on the internal audit of purchasing and accounts payable. However, general reliance will also be placed on the audits of Compliance with Policies & Procedures, Property Portfolio Management, Risk Management and IT Operations and Support.

125.2.3 Mr Woods updated the Committee on the current staffing issues within Internal Audit whilst providing assurances that the quality of the work remained high.

125.2.4 The Committee noted the assurances within the Review of Internal Audit letter. .

126. Corporate Governance

126.1 Counter Fraud Services Quarterly Report – September 2010 – the Committee noted the previously circulated Counter Fraud Services Quarterly Report – September 2010 and the information there in.

126.1.1 Mr Woods introduced the report highlighting Operation Starr as the only case belonging to NHS Lothian. Operation Magenta was also raised as a matter of interest, with Finance aware of the risks associated with fraudulent changes to suppliers' bank details. Finance has given assurances that the necessary control measures have been implemented.

126.2 Protecting Scotland's NHS: A Decade of Counter Fraud Activities – the previously circulated report on Protecting Scotland's NHS: A Decade of Counter Fraud Activities was noted.

126.2.1 Mr Woods outlined the report noting the positive promotion of NHS Lothian as a leading Board with a proactive approach to Counter Fraud. He also highlighted that newspaper headlines relating to two NHS Lothian cases featured in the report.

126.2.2 The Committee considered the cost of central functions such as Counter Fraud Services and the Central Legal Office, and the Board's responsibility to secure Best Value. It was agreed that options for releasing the Board from central commitments where Best Value is not demonstrated should be explored further.

SG

Mr Martin entered the meeting.

126.3 Technical Bulletin Summary (September 2010) – Mr Martin outlined the report to brief the members on the latest releases from Audit Scotland- 2010/3 dated 24 September 2010.

126.3.1 The Committee noted the relevant highlights within the technical bulletin.

126.4 Changes to the Board's Delegated Limit to Approve Capital Schemes – the previously circulated report to secure the Committee's agreement to make the necessary changes to the Board's governance documentation so as to reflect the reduction in the delegated limit for capital schemes was received.

126.4.1 The Committee agreed to:

- Recommend to the Finance and Performance Review Committee that it reviews its Terms of Reference and proposes it to the Board for approval.
- The Director of Finance making the necessary amendments to the Scheme of Delegation, for approval by the Board.
- The Director of Finance making the necessary amendments to the operational procedures associated with business case development and approval.

126.4.2 Ms Goldsmith agreed to take forward communicating the changes to the budget holders and investigate the parallels within the Endowments funds and feed back to the Committee.

SG

126.5 Audit Scotland: The Role of Boards – the previously circulated report to provide the Committee with a briefing on the Audit Scotland Report on the Role of Boards and an opportunity to inform the paper that will be presented to the Board was received.

126.5.1 After some discussion it was agreed that Mr Payne and Ms Goldsmith pick up the inaccuracies within the documentation, and validate the data in appendix 2 before bringing it back to the next meeting.

AP/SG

126.6 CFS Patient Exemption Checking Report – the report to provide the Committee with information on the latest analysis of fraudulent and erroneous claims on patient exemption charges was received.

126.6.1 Mrs Goldsmith introduced the report highlighting the key messages within the report. The reduction of risk related to the removal of the prescription charge and the potential work required to reduce the number of cases related to dental exemptions.

126.6.2 The Committee agreed to note the report and the declining overall level of fraud and particularly reducing impact of the main component, Pharmacy. In addition they also noted the relationship to estimates and the actual recoveries and write offs.

127. Items for Information

127.1 Audit Scotland – Transport for Health & Social Care Project Brief – the Committee noted the previously circulated report on Transport for Health and Social Care Project Brief on request of the Chair.

127.2 Dr Winstanley expressed concerns regarding the lack of clarity surrounding the Patient Transfer Services, the requirement for a service level agreement with the Scottish Ambulance Service and alternative viable approaches to

ensure best value for money. Further advice regarding the exposure of risk would be investigated.

128. Any Other Competent Business

128.1 The Committee noted that there were no items of other competent business.

129. Date of Next Meeting

129.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Tuesday, 8 February 2011 at 9.00am in Waverley Gate, Edinburgh.

DRAFT

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 12 April 2010 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Mr S Renwick (In the Chair); Mrs T Douglas and Professor P Murray.

In Attendance: Professor J J Barbour (Chief Executive); Ms S Blyth (Audit Scotland); Mrs S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr A Payne (Corporate Governance and VFM Manager); Mr J Skinner (Risk Manager); Dr C J Winstanley (Chair, NHS Lothian); Mr D Woods (Chief Internal Auditor) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Ms Woolman, Ms Russell and Mr Miller.

Declaration of Financial and Non-Financial Interest

The Chair reminded members they should declare any financial and non-financial interest they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Mr Renwick, Mrs Douglas and Professor Murray declared an interest as Trustees of the Endowment Fund, in respect to references to Lorna's Lottery within the items for consideration.

92. Minutes of the Previous Meeting

92.1 The previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 8 February 2010 were approved subject to the following minor amendment:

- The Chair requested that the welcome paragraph be amended to state that he had taken up the position as Chair whilst Ms Jamie was on secondment within the NHS.

93. Matters Arising

93.1 Matters Arising from the Meeting of 8 February 2010 – the Committee noted a previously circulated paper detailing the matters arising from the Audit Committee meeting held on 8 February 2010, together with the action taken and the outcomes.

93.1.1 Mr Payne introduced the action note. He highlighted that the standard format for annual reports was complete; Mr Peter McIntyre had been appointed as Head for Counter Fraud Services and shall attend a future Committee meeting; all other items would be picked up through the agenda.

93.1.2 Professor Murray suggested that the standard Annual Report format could be used by other committees/ groups and sub-committees. Mr Payne advised that he would be using the template for the Operational Audit Sub-Committee. He agreed that other Committees could use the template if they wished, and that this had been highlighted to colleagues when the template was circulated.

94. Operational Audit Sub-Committee

94.1 Minutes of the Operational Audit Sub-Committee held on 25 January 2010 – the previously circulated Minutes of the Operational Audit Sub-Committee meeting held on 25 January 2010 were adopted.

94.1.1 Members noted that the Sub-Committee had a vacancy, and on one occasion quorum was not achieved. It was agreed that further discussion was required within the Board with respect to membership, to reduce the risk of this recurring.

94.2 Update on the Operational Audit Sub-Committee held on 29 March 2010 - The Chair gave a brief update on the Operational Audit Sub-Committee held on 29 March 2010 highlighting concerns raised in response to the Use of Spire Healthcare report and the subsequent referral of the report to the Healthcare Governance and Risk Management Committee for further discussion.

94.2.1 Professor Murray advised that the report had gone to the Healthcare Governance & Risk Management Committee although the Committee had not taken into account the Audit Committee Chair's specific concerns regarding the lack of clarity over who would be accountable for any negligence claims and the level of indemnity provided when limited companies/partnerships formed by doctors and nurses were contracted to provide services. Therefore, further discussions at the Healthcare Governance and Risk Management Committee were required. Professor Murray advised that she would be responding to Mr Renwick's query in writing.

PM

94.2.2 Mr Skinner advised that he had recently drafted a clinical governance paper on similar issues with Ms Dawson (Associate Nurse Director) and suggested benefit in delaying that paper until further revisions could be made to cover the Committee's concerns.

JS/PD

95. Linkages with Other Board Committees

95.1 Finance & Performance Review Committee Minutes - the previously circulated Minutes of the Finance & Performance Review Committee meetings held on 10 February 2010 were received.

95.2 Healthcare Governance & Risk Management Committee Minutes - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on 23 February 2010 were received.

95.2.1 Professor Murray advised the Committee of the benefits of the reconfiguration of the reporting matrix and the need to monitor the development of the Catering Strategy.

Dr Winstanley entered the meeting.

96. Internal Audit

96.1. Internal Audit Progress Report (March 2010) - the previously circulated report to update the Audit Committee on the progress of the Internal Audit Plan was received.

96.2 Mr Woods presented the report. The audit team had issued 6 final reports since the Operational Audit Sub-Committee of 25 January 2010. With respect to counter fraud activity, an ex-employee was sentenced to 200 hours' community service for falsifying timesheets. Another ex-employee was sentenced to 4 months in jail for altering medical certificates for sick-leave, thereby claiming wages fraudulently. Also a nursing assistant suspected of working elsewhere whilst on sick-leave had been called to court for a pleading diet, however the ex-employee had failed to turn up, resulting in the issue of an arrest warrant.

The Committee were advised that an article had been submitted for Connections to inform staff about the recent fraud convictions. It was also noted that Ms Stirton, Director of Communications, sat on the Counter Fraud Action Group.

96.3 Mr Woods updated the Committee on the ongoing issues in respect of staff absences within Internal Audit. Mr Woods highlighted that one member of staff who had returned from sick-leave was currently working in another department. Also capacity within internal audit has been reduced with the departure of the temporary auditor whose contract had come to an end. Team members' appeals regarding job bandings under Agenda for Change have been unsuccessful, meaning that recruitment would remain challenging should any vacancies arise. Mr Woods agreed to bring forward a fuller report to the next meeting.

DW

96.4 Mrs Goldsmith advised that she had raised the staff absence issues with the Director of HR and he had agreed to look into individual cases.

97. External Audit

97.1 Audit Scotland – NHS Lothian Annual Audit Plan 2009/10 (Final Version) – this was received by the Committee.

97.1.1 Ms Blyth introduced the report, highlighting the minor change to the figure in paragraph 24 to £56.4 million.

97.1.2 The Chair expressed concerns in relation to value of the financial narrative within the document and the intended audience for the report as he felt that it was a statement of the self-evident for the HB and thus did not add value. Ms Blyth reassured the Chair that the report followed a similar pattern to that produced elsewhere and it was solely intended for the Audit Committee.

97.1.3 Professor Murray reported as a result of the recent risk workshop for directors, the risk register was to be updated. Members noted that following the risk register being updated, Audit Scotland would have the opportunity to review the register. Mr Skinner went on to advise that the workshop approach would be piloted in the University Hospital Division prior to rolling it out to Community Health Partnerships and the Community Health and Care Partnership, to promote consistency across the Board. It was agreed that the outcome of these risk sessions should be fed back to the external audit team.

97.1.4 Dr Winstanley highlighted that in a bid to close the risk gap the Board would receive regular reports in respect of the level of risk the Board was carrying.

98. Corporate Governance [Suggest that this section is checked by Alan Payne]

98.1 Draft NHS Lothian Standing Financial Instructions – the previously circulated report requesting that the Committee recommend the draft NHS Lothian Standing Financial Instructions (SFIs) to the Board was received.

98.1.1 Mr Payne introduced the revised draft SFIs and gave a detailed overview of the changes made since the February meeting.

98.1.2 The Committee discussed the revision of the SFIs into Plain English with the aim to simplify the language and make them less legalistic. In addition to this, the Assistant Corporate Governance & VFM Manager has devised a set of frequently asked questions.

Professor Barbour entered the meeting.

98.1.3 Mr Payne advised that he had taken further advice from procurement, with respect to how meeting legal responsibilities on public procurement tendering sits with the Board's intention to promote the use of local food suppliers. They had advised that the intention to encourage the use of local suppliers could be pursued, provided that value-for-money is achieved, and there are open, transparent and reasonable criteria in the tender that are relevant to the performance of the contract. The criteria could take into consideration the Board's environmental and social responsibilities. All offers must be considered objectively and fairly.

98.1.4 Mrs Goldsmith reported that a Management database had been developed to ensure that the SFIs were received, read and understood by all staff. The Chair queried whether the SFIs were included in the Induction Process for Senior Management. In response Ms Goldsmith advised that there was a Finance module in the induction process, however she was unsure whether this included the SFIs. She agreed to check on this and feedback to the Committee.

SG

98.1.5 The Chair requested vis-a-vis Page 6, item 2.13 (c) in respect of the securing best value in the use of resources, that guidance as to what this means should be made available in the organisation. Mr Payne agreed to add published

guidance on the intranet. From section 7 onward the Chair requested that the use of specific titles of responsible officers, where appropriate, should be amended to state designated senior officer where appropriate, so as to make the document less sensitive to any changes that may occur in the future. On page 24, the section titled Public Private Partnerships should be enhanced, adding the term “Non Exchequer Financing”.

98.1.6 The Committee agreed that an additional paragraph be included in the introductory section, making explicit the requirements for managers to have read the SFIs, and to state when the SFIs shall be reviewed.

98.1.7 Professor Barbour welcomed the clear statement within the draft that states he will ensure that services level agreements for the provision of services recover the costs borne by the Board, and minimise any risk to the Board.

98.1.8 The Committee agreed to recommend the SFIs to the Board subject to Mr Payne making the necessary amendments.

AP

98.2 Draft NHS Lothian Scheme of Delegation – the report to ask the Committee to recommend the draft NHS Lothian Scheme of Delegation was received.

98.2.1 Mr Payne introduced the draft scheme of delegation. He explained that the SFIs were high level principles, fundamental requirements that all decisions, policies and procedures should be consistent with. The scheme of delegation is a key procedure that puts these principles into practice.

98.2.2 The Chair requested that scheme of delegation should be disseminated to the wider organisation through the intranet. Also, Professor Barbour highlighted that at present the current pagination was not consistent with the contents page. Mr Payne agreed to take forward these issues.

AP

98.2.3 Ms Goldsmith assured the Committee that Ms Potter would be going to various Management Committees to advise staff on the developments in relation to procedures for submissions of business case.

98.2.4 The Committee agreed to recommend the Draft NHS Lothian Scheme of Delegation to the Board.

98.3 Appendices to the NHS Lothian Standing Orders – the previously circulated report to advise the Committee with the items in the Standing Orders pack that have not been reviewed at present was received.

98.3.1 Dr Winstanley queried whether an official response had been received for West Lothian Council in respect of formally accepting the West Lothian CHCP Framework of Governance. Mr Payne advised that the Council had approved the Framework in February, agreed to provide Dr Winstanley with confirmation on this point.

98.3.2 The Committee agreed to note the appendices and agreed that they should be recognised as appendices to the Standing Orders, subject to confirmation that West Lothian Council had approved the CHCP Framework of Governance.

98.4 Corporate Risk Register – the previously circulated report to update the Committee on the NHS Lothian Risk Register was received.

98.4.1 Mr Skinner gave a brief overview of the report reiterating the proposal to pilot risk workshops to the University Hospital Division prior to rolling them out across the Board.

98.4.2 Dr Winstanley queried whether there was any scope to discuss amending the risk assessment template as issued by the Scottish Government, so as to have a clearer differentiation of the relative significance of each risk. Mr Skinner noted that the template had been agreed nationally, however there is scope to amend it locally whilst enabling the Board to report nationally. The Chair suggested that a local scoring could be adapted to add more sensitivity to the risk analysis and that this could be mapped to national templates for external utilisation.

98.4.3 Professor Barbour noted his surprise at the risk rating in relation to pandemic influenza and podiatry and dental decontamination. He highlighted the need to ensure that changing risks were managed appropriately, and that it would be helpful if the reports did make it more evident the rate at which risks were being managed and taken off the register, and what was being added as new risks. Members were reassured that the podiatry/dental decontamination risks had been discussed at both Lothian Infection Control Advisory and Healthcare Governance and Risk Management Committees.

98.4.4 Dr Winstanley suggested that new business cases need to make full use of the intelligence from the risk registers. Bodies with responsibilities for reviewing business cases should be satisfied that the business cases have considered the relevant risks from the corporate / departmental risk registers, and that proposals will support the management of those risks.

98.4.5 The Committee agreed to note the report.

98.4.6 Ms Douglas expressed concerns in relation to the reputational risk to NHS Lothian in respect of comments posted on social networking sites. Members were assured the NHS Lothian pages were monitored by the Communications Team, however comments posted on individuals' pages were out with NHS Lothian's control. It was agreed that staff must be made aware that making comments that were damaging to the reputation of the Board were not acceptable.

98.5 Corporate Governance: Statement on Internal Control (SIC) – the previously circulated letter on Corporate Governance: Statement on Internal Control was noted.

98.5.1 Mr Martin gave a brief overview of the letter outlining the information provided in the annexes.

98.6 Technical Brief Overview – the previously circulated report to brief the Committee on the latest releases from Audit Scotland – 2009/4 dated December 2009 and 2010/1 dated March 2010 were received.

98.6.1 Mr Martin introduced the report highlighting the key sections of the technical bulletin and the Financial Reporting Council document attached.

98.6.2 The Committee discussed the changes to the consolidation process of the Endowments Funds; Endowment Funds would be required to be consolidated with the Annual Accounts in 2011-12. Ms Goldsmith advised that she was also awaiting the outcome of the OSCR review on NHS endowments.

97. AOCB

97.1 The Committee noted that there was no other competent business.

91. Date of Next Meeting

91.1 It was noted that the next meeting of the Audit Committee would be held on Monday 21 June 2010 at 9.00am in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

DRAFT

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 21 June 2010 in the Boardroom, Deaconess House, 148 Pleasance, Edinburgh.

Present: Mrs T Douglas and Mr S Renwick (in the Chair).

In Attendance: Ms S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D Miller (General Manager, Primary Care Contracts); Ms H Russell (External Auditor - Audit Scotland); Mr J Skinner (Risk Manager); Mr D Woods (Chief Internal Auditor); Ms G Woolman (External Auditor - Audit Scotland); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Professor Barbour, Mr Egan, Professor Murray and Dr Winstanley.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. The Chair and Ms Douglas declared an interest as Endowment Trustees in relation to the reference to Lorna's Lottery within the documentation.

100. Minutes of the Previous Meeting

- 100.1 Minutes of the Previous Meeting held on 12 April 2010– previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 12 April 2010 were approved as a correct record.
- 100.2 The Chair updated the Committee in respect of the lack of Non-Executive representation on the Operational Audit Sub-Committee. He noted that the issue had been resolved due to the appointment of Dr Williams; other appointments would be confirmed at a later date.
- 100.3 Mr Payne provided reassurance that he had provided confirmation that West Lothian Council had approved the CHCP Framework to Dr Winstanley.
- 100.4 With respect to risk management, the Committee noted that the proposal to adapt local scoring to add more sensitivity to the risk analysis and map this to national templates for external utilisation was still ongoing.

101. Matters Arising

101.1 Matters Arising from the Meeting of 12 April 2010 – the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 12 April 2010, together with the action taken and the outcomes.

101.1.1 Mr Payne gave a brief overview of the action note noting the Board approval and dissemination of the Standing Financial Instructions and Scheme of Delegation. Members also noted that the Head of Counter Fraud Services would attend the Executive Management Team prior to attending Audit Committee and Staff Governance Committee.

101.1.2 Mrs Goldsmith advised the Committee that work to transfer the staff lottery was still ongoing. It was agreed that a report would be brought forward to the next meeting.

SG

101.1.3 The Committee agreed to note the action taken in respect of the Matters Arising.

101.2 Running Action Note: Fire Safety Training – the previously circulated report to update the Committee on the progress of the fire safety training was noted.

101.2.1 Ms Douglas raised concerns in relation to the level of absence over the 18 Month period and called for clarification to be sought from Mr Boyter. It was agreed that Mr Boyter would be approached to clarify the sickness figures.

AP

102. Linkages with Other Board Committees

102.1 Finance & Performance Review Committee - Minutes of the Meetings held on 28 April 2010 - the previously circulated minutes of the Finance & Performance Review Committee meeting held on the 28 April 2010 were received.

102.2 Healthcare Governance & Risk Management Committee - Minutes of the Meeting held 6 April 2010 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on the 6 April 2010 were received.

102.2.1 The Chair noted the previous discussions in relation to the Patient Transport System. He advised members that he had raised concerns that there was no longer a Service Level Agreement (SLA) in place with the Scottish Ambulance Service (SAS); work to reconvene the transport group in Councillor Knox's absences was ongoing.

102.2.2 Ms Douglas advised that West Lothian CHP had recently appointed a new SAS representative for West, East and Midlothian and proposed utilising the opportunity to build stronger links with SAS. It was agreed that this would be feedback to the CHPs and CHCPs.

102.2.3 The Chair highlighted the ongoing discussions in respect of the lack of information in relation to limited liability partnerships within Spire and whether

the Board would remain accountable for clinical governance of the activity performed on their behalf by a third party.

103. Operational Audit Sub-Committee

- 103.1 Minutes of the Operational Audit Sub-Committee held on 29 March 2010 – the Committee noted the previously circulated minutes of the meetings of the Operational Audit Sub-Committee held on 29 March 2010.

Mr Martin entered the meeting

- 103.1.1 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meetings held on 29 March 2010.

- 103.2 Update on the Operational Audit Sub-Committee held on 31 May 2010 – the Chair gave a brief update of the discussions at the Operational Audit Sub-Committee meeting held on 31 May 2010.

104. Internal Audit Reports

- 104.1 Internal Audit – Audit Plan Update May 2010

- 104.1.1 Mr Woods gave a brief overview of the report and highlighted discussions regarding the proposed changes to the structure of the Internal Audit Team at the Operational Audit Sub-Committee; new ways of working with the aim to improve the service by reducing the number of audits and focusing on the details of each audit were also discussed.

- 104.1.2 The Chair advised that though the Operational Audit Sub-Committee did not have the authority to approve the changes to the Internal Audit Teams structure they fully supported them.

- 104.1.3 The Committee noted the previously circulated Audit Plan Update May 2010 and the assurances therein.

- 104.2 Internal Audit - Annual Report for 2009/10

- 104.2.1 Mr Woods spoke to the annual report and confirmed that Internal Audit's work indicated that adequate and effective internal controls had been operating throughout the year. He summarised that Internal Audit could report positively against the guidance for supporting completion of the Statement on Internal Control.

- 104.2.2 The Committee agreed to accept the report.

- 104.3 CFS Quarterly Report – March 2010

- 104.3.1 Mr Woods reported the CFS quarterly reports underlining Operations RINGO, GEM and MAGPIE from NHS Lothian. He then advised that NHS Lothian were demonstrating that they were proactive in referring cases. The Chair

requested that the work on Counter Fraud in NHS Lothian should be highlighted in the Statement of Internal Control.

RM

104.3.2 The Committee agreed to accept the CFS Quarterly Reports – March 2010.

105. General Corporate Governance

105.1 NSS Service Audit Reports 2009/10

105.1.1 NSS Service Auditor: Report on Practitioner Services Division Family Health Service Payment Controls from 1 February 2009 – 31 January 2010 (7 May 2010) – the Committee noted the assurances that supported the unqualified opinion within the previously circulated covering letter and Service Audit Report.

105.1.2 NSS Service Auditor: NSS National IT Services – Service Audit Report 2009/10 – March 2010 – the Committee noted the assurances that supported the unqualified opinion within the previously circulated covering letter and service audit report.

105.1.3 Scott Moncrieff: National Procurement Logistics – Service Audit Report 2009/10 – March 2010 – the Committee noted the assurances that supported the unqualified opinion within the previously circulated covering letter and service audit report.

105.1.4 NSS Service Auditor: SAS 70 – NHS NSS Financial Services for the period 1 April 2009 – 31 March 2010 (7 May 2010) – the Committee noted the assurances that support the unqualified opinion within the previously circulated covering letter and service audit report.

105.1.5 Ms Woolman advised that Audit Scotland received a statement of assurances from the external auditor for NSS which provided the required assurances.

105.2 Primary Medical Services – Quality Outcomes Framework/ Contractual & Statutory Review Outcomes 2009/10

105.2.1 The Committee noted the QOF/ Statutory & Contractual Review Programme Annual Report 2009/10, as a source of assurance for the statement of internal control.

105.2.2 Mr Miller noted that work with the General Managers to finalise arrangements for the QOF+ practice visits as an integral part of the new GP Quality Improvement Programme (GPQIP) was ongoing. The importance of CH(C)P sign up was raised. It was agreed that further discussions were required at PCPC to get a cohesive corporate approach.

DM/TD

Mr Miller left the meeting.

105.3 2009/10 Healthcare Governance Committee Annual Report to Lothian NHS Board - the previously circulated report to provide the Committee with the annual report of the Healthcare Governance & Risk Management Committee,

so as to provide a source of assurance with respect to the Statement of Internal Control was received.

105.3.1 The report provided a source of assurance to support the consideration of the overall Statement on Internal Control.

105.4 Annual Report of the Staff Governance Committee 2009/10 – the previously circulated report to provide the Committee with the annual report of the Staff Governance Committee, so as to provide a source of assurance with respect to the Statement of Internal Control was received.

105.4.1 The report provided a source of assurance to support the consideration of the overall Statement on Internal Control.

105.5 NHS Lothian Risk Management Annual Report 2009/10 – the previously circulated report to provide the Committee with the annual report in respect of NHS Lothian Risk Management, so as to provide a source of assurance with respect to the Statement of Internal Control was received.

105.5.1 Mr Skinner gave an overview of the risk management annual report summarising the main developments made by the risk management team in respect of auditing DATIX to assess whether it was fit for purpose, developing the risk register and strengthening links with the Scottish Patient Safety Agency.

105.5.2 In response to Ms Goldsmith's question Mr Skinner reported that the move to primary care would only strengthen links and work on the risk register.

105.5.3 Ms Douglas proposed that the methodology of compiling the register could be adapted to include public involvement. Mr Skinner noted he was keen to include public involvement facilitated through workshops; Mr Woods requested that counter fraud be built into the workshops.

JS

105.5.4 The Chair noted that the standard Board Paper template had been used as the covering paper for each annual report and took the opportunity to remind members that the "Impact of Health Inequalities" and "Resources implications" sections should always be completed.

105.5.5 The report provided a source of assurance to support the consideration of the overall Statement on Internal Control.

105.6 Lothian NHS Board Annual Report of the Chair of the Finance & Performance Review Committee Period: Ending 31 March 2010 - the previously circulated report to provide the Committee with the annual report of the Finance & Performance Review Committee, so as to provide a source of assurance with respect to the Statement of Internal Control was received.

105.6.1 The report provided a source of assurance to support the consideration of the overall Statement on Internal Control.

105.7 2009/10 Summary Assurance Report on Best Value – the report to brief the Committee on how NHS Lothian progresses the Best Value duty, so as to inform the consideration of the 2009/10 Statement of Internal Control was received.

105.7.1 The Committee noted that the QIS report evidenced continuous improvement in respect of the requirement for NHS Lothian to demonstrate best value. Members considered the report and noted the report as a source of assurance for the statement of internal control.

105.8 Lothian NHS Board Annual Report of the Chair of the Operational Audit Sub-Committee Period: Ending 31 March 2010 - the previously circulated report to provide the Committee with the annual report of the Operational Audit Sub-Committee, so as to provide a source of assurance with respect to the Statement of Internal Control was received.

105.8.1 The report provided a source of assurance to support the consideration of the overall Statement on Internal Control.

105.9 SFR 18.0 – Summary of Losses and Payments for the Year Ended 31 March 2010 – Ms Goldsmith introduced the report and highlighted that her concerns in relation to the changing guidance in respect of reclaiming monies from overseas patients for services provided; further discussions at the Executive Management Team on a payment in advance scheme were required.

105.9.1 The Committee discussed concerns that work in previous years to resolve the debt issue with the University of Edinburgh and the subsequent of reversal of positions. Discussion with the University of Edinburgh had taken place and work to resolve the outstanding debt was ongoing.

105.9.2 Mr Woods identified errors in the appendices in respect of the figures presented for overseas visitors and made reference to a CEL from Government that guided Boards to raise a case against overseas visitors if they fail to provide payment after being presented with the initial invoices.

105.9.3 The Committee agreed to accept the SFR 18.0 – Summary of Losses and Payment for the Year End 31 March 2010.

105.10 Formal Consideration Process - the Committee agreed that the resources made available to the Committee (e.g. through audit days and supplementary support) had been adequate for the Committee to discharge its functions.

105.10.1 In response to Ms Woolman's query the Chair advised the Committee that he would meet with Dr Winstanley to discuss increasing the Membership of the Audit Committee to ensure that a quorum would be maintained.

SR

106. External Audit Reports

106.1 NHS Lothian: 2008/09 Review of Internal Controls (1 & 2) - the previously circulated NHS Lothian: 2009/10 Review of Internal Controls Reports (1 & 2) from Ms Woolman were received.

106.1.1 Ms Russell spoke to both reports highlighting the recommendations in relation to Controlled Drugs Officers. She noted that there had been inconsistencies regarding the authorised signatory list between various sites. Work to check the information provided was ongoing.

106.1.2 It was agreed that the outstanding queries would be discussed with the Director of Pharmacy at the Operational Audit Sub-Committee and for issues to be picked up in the next report.

SR/GW

106.1.3 Mr Woods advised the Committee that the Operational Audit Sub-Committee would receive a report on Medicines Management in the near future.

106.1.4 After the Committee discussed the two matters carried over from this year it was noted that stores recommendations required further action, and a letter from the Director of Finance would be sent to the relevant managers. Mrs Goldsmith agreed to pursue issues related to Interface between Payroll and Human Resources.

SG

106.1.5 The Committee agreed to accept the reports.

107. Annual Accounts

107.1 Statement on Internal Control - a previously circulated paper, together with the draft letter Statement on Internal Control was received.

107.1.1 Mr Martin spoke to the Statement on Internal Control and the Committee noted the arrangements put in place to support the statement.

107.1.2 Following its review of the draft letter of Statement on Internal Control, the Committee agreed to support the Statement and recommend to the Board that, subject to minor additions in relation to counter fraud services, the letter be signed by the Chief Executive on its behalf.

BM

107.2 Accounting Policies – the previously circulated report on Accounting Policies was received.

107.2.1 The Committee confirmed that the Accounting Policies could be adopted for the Board.

107.3 Representation Letter - the Committee received a previously circulated report, together with a draft Letter of Representation to the External Auditors.

107.3.1 Following discussion, it was agreed that the statement properly represented confirmation to the External Auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2010, and to recommend to the Board that the letter be adopted.

107.4 External Audit - Lothian NHS Board - Report to those charged with Governance on the 2009/10 Audit - a previously circulated report to those charged with governance on the 2009/10 Audit was received.

107.4.1 Ms Woolman spoke to the report highlighting the matters arising, outcomes and that the audit opinion was unqualified.

107.4.2 The Committee agreed to accept the report subject to confirmation of the recommendation to reverse the inclusion of the £4.5 Million for the purchase of plots 14-16 and further dialogue with Scottish Enterprise.

107.5 Annual Accounts for the Year ended 31 March 2010 - the Committee received the annual accounts for 2009/10 and the Committee went through them in detail.

107.5.1 Following discussion, a number of minor amendments to the annual accounts were agreed and, subject to these amendments, the Committee agreed to recommend to Lothian NHS Board that it approve and adopt the annual accounts for year ended 31 March 2010.

107.6 NHS Lothian, Audit Committee Annual Report from the Chair – Year Ending 31 March 2010 – the committee noted the previously circulated NHS Lothian, Audit Committee Annual Report from the Chair – Year Ending 31 March 2010.

107.7 Lothian NHS Board Audit Committee – 2009/10 Notification to the Health & Wellbeing Audit Committee – the previously circulated letter and attached action plan was received.

107.7.1 The Committee agreed to approve the letter subject to the minor amendments suggested by Mr Woods in relation to the role of Counter Fraud Services.

108. Any Other Competent Business

108.1 The Committee noted that there were no other items of competent business.

109. Date of Next Meeting

63.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 11 October 2010 at 9.00am in Waverley Gate, Edinburgh.

DRAFT

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 11 October 2010 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr Egan, Mr B Peacock and Mr S Renwick (in the Chair).

In Attendance: Ms S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr P MacIntyre (Counter Fraud Services); Mr D Woods (Chief Internal Auditor); Ms G Woolman (External Auditor - Audit Scotland); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Professor Barbour, Mr A Boyter, Mrs T Douglas Professor Murray and Ms H Russell.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

Welcomes and Introductions

The Chair welcomed members to the meeting highlighting that it was Mr Peacock's first meeting as a public representative and highlighted his role within the Public Partnership Forum. Members were then invited to introduce themselves for the benefit of Mr Peacock and the colleagues in attendance from Counter Fraud Services.

110. Presentation from Counter Fraud Services: CFS Update

110.1 The Chair welcomed colleagues from Counter Fraud Services to the meeting reiterating the importance of Counter Fraud within NHS Lothian. He went on to extend a standing invitation to the Mr MacIntyre and his colleagues' to attend both Audit and Operational Audit Committees.

110.2 Mr MacIntyre reciprocated the Chair's invitation and highlighted that NHS Lothian was a beacon for Counter Fraud in Scotland. He went on to give a detailed presentation on Counter Fraud including challenges faced, proactive support in place, training and amendments to authorising surveillance. In conclusion he agreed to answer questions on the presentation.

Mr Egan entered the meeting.

- 110.3 The Committee discussed reclaiming payments from overseas patients not entitled to free care through the means of travel insurance and the need for verification systems at the General Practitioner referral stage of the process; work to assess private patient's rights to be in the country by the UK Borders Agency, General Practitioners and Private Patient Officers was also acknowledged.
- 110.4 Members discussed the benefit of using the Community Health Index (CHI) number to identify patients who have the right to free healthcare. It was noted that not all patients who have CHI numbers were not entitled to free healthcare and CHI numbers did not follow you through you treatment.
- 110.5 In response to the Chair's concerns about timescales and query whether there were KPIs in place. Mr Macintyre outlined the 6 month and 8 month time zones, measures to provide advance warning to the procurator fiscal and the impact of investigations referred to Lothian and Borders Police.
- 110.6 The Chair thanked Mr Macintyre and his colleague for their presentation and they left the meeting.

111. Minutes of the Previous Meeting

- 111.1 Minutes of the Previous Meeting held on 21 June 2010– previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 21 June 2010 were approved as a correct record.

112. Matters Arising

- 112.1 Matters Arising from the Meeting of 21 June 2010 – the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 21 June 2010, together with the action taken and the outcomes.

112.1.1 Mrs Goldsmith reported that draft heads of terms for settlement had been discussed in the orthodontist case and would be finalised by the end of the month. A provisional total of £550-600k had been identified.

112.1.2 In response to Mr Egan's query Mrs Goldsmith advised that she would endeavour to transfer the Staff lottery from exchequer and agreed to provide a report for the next meeting.

SG

112.1.3 The Chair highlighted the previous discussion at the Operational Audit Sub-Committee surrounding accountability for negligence, where clinicians contract to provide services as a private practice. He agreed to liaise with Mr Egan to jointly write to the Chair of Healthcare Governance and Risk Management Committee to seek further clarity.

SR

112.1.4 The Committee agreed to note the action taken in respect of the Matters Arising.

113. Operational Audit Sub-Committee

113.1 Minutes of the Operational Audit Sub-Committee held on 31 May 2010 – the Committee noted the previously circulated minutes of the meetings of the Operational Audit Sub-Committee held on 31 May 2010.

113.1.1 The Chair outlined recent discussions at the Operational Audit Sub-Committee in respect of the resurrection of the transport Committee. He proposed picking up this issue with Dr Winstanley out with the meeting. **SR**

113.1.2 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meetings held on 31 May 2010.

113.2 Update on Operational Audit Sub-Committee held on 27 September 2010 – the Chair gave a brief update on 27 September 2010 meeting outlining linkages with the Audit Committee Chair and Finance Director from NHS Borders and future linkage to the Scottish Ambulance Service and the Chair of Dumfries and Galloway Audit Committee.

114. Linkages with Other Board Committees

114.1 Finance & Performance Review Committee - Minutes of the Meetings held on 9 June & 9 August 2010 - the previously circulated minutes of the Finance & Performance Review Committee meetings held on the 9 June and 9 August 2010 were received.

114.1.1 The Committee discussed the issues related to the development of the new Royal Hospital for Sick Children, the factors that inhibited informed decisions and missed opportunities to challenge or explore the project in full.

114.1.2 It was agreed that Mr Woods would be tasked to perform a special project audit subject to the agreement of new titles to encompass recapturing the project prior to further lapses and to ensure that all decisions taken in respect of the project were impact assessed. **DW**

114.1.3 The Chair agreed to raise the issues with Mr Walker, Chair of Finance and Performance Review Committee out with the meeting. **SR**

114.2 Healthcare Governance & Risk Management Committee - Minutes of the Meeting held 3 August 2010 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on the 3 August 2010 were received.

114.2.1 Mr Egan raised concerns in relation to the increased number of incidents of breaching confidentiality when inappropriate members of staff access medical notes; in particular the potential reputational damage to NHS Lothian. The chair agreed to pick up these issues with the Chairman out with the meeting. **SR**

114.3 Staff Governance Committee – Minutes of the Meeting held on 21 May 2010 – the previously circulated minutes of the Staff Governance Committee meeting held on the 21 May 2010 were received.

115. Internal Audit Reports

115.1 Internal Audit Progress Report (September 2010)

115.1.1 Mr Woods gave a brief overview of the report highlighting that overall there had been good progress made with the audit plan however there had been staff issues within the department resulting in the audit plan not being completed by the end of the year. He proposed that a total of 7 audits be carried forward to the next year to include, the H1N1 Post-Event Review, Laboratories, Community Hospitals or Health Centres, Community Health Partnership Governance, Project Change & Management, Patients' Funds & Valuables and Cedar System.

115.1.2 Mr Woods advised that an audit of the Royal Hospital for Sick Children Reprovisioning Project was proposed as an addition to the plan. He explained that auditing a complex project requires specialist skills not currently held within the Internal Audit team. Therefore, he has approached PricewaterhouseCoopers (PwC) to hire a specialist auditor for the required period. Mr Woods reported that the Director of Finance and Chair of the Audit Committee were supportive of this proposal. In selecting PwC, Mr Woods reported that PwC had relevant experience as the internal auditors for NHS Greater Glasgow & Clyde, NHS Grampian and non-territorial health boards. In particular, PwC has acted as project auditors for NHS Greater Glasgow & Clyde's £500 million South Glasgow Hospital project and NHS Grampian's Emergency Care Centre (developed under Framework Scotland, as with the Royal Hospital for Sick Children project). Also, PwC has been appointed by NHS National Services Scotland to be the Central Framework Auditor for Framework Scotland.

115.1.3 The Committee noted the previously circulated internal audit progress report (September 2010) and the assurances therein.

116. External Audit

116.1 Audit Scotland: NHS Lothian Report on 2009/10 Audit to the Board and the Auditor General (final) - report to provide the Committee with the external auditors' report on NHS Lothian for 2009/10, completed by Audit Scotland was received.

116.2 Mrs Woolman gave a detailed overview of the report highlighting the key messages, the risk that need to be managed, the satisfactory corporate governance and control systems operation throughout the year and the challenges that the board faces in the current financial climate from the report and invited member to ask questions on the report.

116.3 In response to Mr Egan's question Mrs Woolman advised that it was the role of the External Auditors to ensure that NHS Lothian as an organisation worked to get best value for money and renegotiate contracts where necessary.

117. Corporate Governance

117.1 National Fraud Initiative – the previously circulated report to update the Committee on the results of the National Fraud Initiative (NFI) 2008/09 and give an overview of progress with NFI 2010/11 was received; Mr Egan declared an interest in this paper.

117.1.1 Mr Woods gave an overview of the report highlighting the key issues with in the document including the fact that payroll matches identified no cases of fraud where as the UK visa matches had identified 4 anomalies.

117.1.2 The Committee noted that the early steps for the National Fraud initiative 2010/11 were already underway, including the completion of the Self-Assessment Checklist provided within Audit Scotland National Summary. Mrs Woolman thanked Mr Woods for his reports and went on to highlight that the counter fraud training sessions may find the case studies within exhibit 5 of the report useful.

117.1.3 Mr Egan welcomed the document as a whole then reiterated the importance of partnership involvement particularly if patient care would be impacted.

117.1.4 The Committee noted the result and the progress with the National Fraud initiative.

117.2 Counter Fraud Services Quarterly Report – June 2010 – the Committee noted the previously circulated Counter Fraud Services Quarterly Report – June 2010 and the information there in.

117.2.1 Mr Woods introduced the report highlighting the three cases relevant to NHS Lothian; Genome, Capri and Horizon.

117.3 Technical Bulletin Summary – the report to brief the members on the latest releases from Audit Scotland- 2010/2 dated June 2010 was received.

117.3.1 Mr Martin introduced the report noting the relevant highlights within the technical bulletin including the disclosure note within the annual accounts, changes within the assumptions, changes to the corporate governance code general principals and the new disclosure requirements.

117.3.2 Members were advised that some Non-Executive Directors of the Board had not been through the disclosure process and that the committee should be mindful that new and current Non- Executive Directors were capture through the new requirements.

117.3.3 The Committee discussed that item 4.2 (b) was not clear in relation to the responsibility of Non-executive Directors, the time commitment expected of all Directors and how this would be enforced.

117.3.4 The Committee noted the relevant highlights within the Technical Bulletin.

117.4 Response to Consultation on Audit Scotland Code of Practice – the Committee noted the letter and the reflections from Mrs Goldsmith, Mr Martin and Mrs Potter therein.

117.5 Draft Patients Private Funds Annual Accounts 2009/10 – the previously circulated report to recommend to the Board that the patients’ funds accounts for the year ended 31 March 2010 for NHS Lothian Board can be approved.

117.5.1 The Committee:

- Reviewed the report of the external auditor (KPMG) on the Patients’ Private Funds accounts for the year ended 31 March 2010 and agreed to refer it to the Board.
- Reviewed the draft Patients’ Private Funds accounts for the year-ended 31 March 2010.
- Agreed to recommend to the Board that the Chairman and Chief Executive sign the “Statement of Lothian NHS Board Members’ Responsibilities” on the Board’s behalf.
- Agreed to recommend to the Board that following consideration of the abstract , the Director of Finance and Chief Executive sign the “Abstract of Receipts and Payments” (SPR 19.0)
- Agreed to recommend to the Board that they approve the entire draft Patients’ Private funds accounts for the year end 31 March 2010.
- Reviewed the draft letter of representations and agreed to recommend to the Board that the Chief Executive sign the letter of representation on behalf of the Board.

117.5.2 Mr Egan advised the Committee of issues surrounding patient funds and the lack of safeguards for vulnerable adults that were not on incapax and the potential reputational risk this held for NHS Lothian.

117.6 Draft Response to “Future Approach to Governance” Consultation Paper – the previously circulated paper to provide the Committee with an opportunity to contribute to the response to the “Future Approach to Governance” consultation paper was received.

117.6.1 Mr Payne tabled an updated response and requested that members provide comments out with the meeting.

ALL

118. Any Other Competent Business

118.1 December Meeting – the Committee agreed that there would be a private session with the auditors at the December meeting of the Audit Committee.

118.2 Dates for 2011 – the Committee noted that all 2011 meetings will now be held on Tuesdays to ensure that all members could attend.

119. Date of Next Meeting

119.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 6 December 2010 at 9.00am in Waverley Gate, Edinburgh.

DRAFT

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday 6 December, 2010 in Meeting Room 8, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr E Egan; Mrs T Douglas; Mr B Peacock; Mr S Renwick (in the Chair) .Mrs P Murray

In Attendance: Dr C J Winstanley, Professor J J Barbour; Ms S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mrs H Russell (External Auditor – Audit Scotland); Mr D Woods (Chief Internal Auditor); Ms G Woolman (External Auditor - Audit Scotland), Mr A Payne (Corporate Governance & VFM Manager) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr D Miller.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. No interests were declared.

120. Minutes of the Previous Meeting

120.1 Minutes of the Previous Meeting held on 11 October 2010– previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 11 October 2010 were approved as a correct record.

120.2 In response to Mr Peacock's query about the move to a register based approach to disclosure Mr Renwick noted that the members had previously discussed whether all members should go through the disclosure process whilst advising that the move to the register would be revisited in the near future.

121. Matters Arising

121.1 Matters Arising from the Meeting of 11 October 2010– the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 11 October 2010, together with the action taken and the outcomes.

121.1.1 Mr Payne introduced the action note outlining the progress with the 2009/10 review of internal controls, progress with staff lottery and RHSC Re-provisioning project.

121.1.2 Mrs Goldsmith reassured the Committee that the staff lottery would be transferred from exchequer within the current year.

121.1.3 The Committee agreed to note the action taken in respect of the Matters Arising.

122. Operational Audit Sub-Committee

122.1 Minutes of the Operational Audit Sub-Committee held on 27 September 2010 – the Committee noted the previously circulated minutes of the meetings of the Operational Audit Sub-Committee held on 27 September 2010.

122.1.1 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meetings held on 27 September 2010.

122.1.2 Update on Operational Audit Sub-Committee held on 29 November 2010 – the Chair gave a brief update on 29 November 2010 meeting noting the attendance of the Chair of the Audit Committee of NHS Dumfries and Galloway to strengthen links between Boards. The committee noted the Chair's commitment to attend the NHS Borders Audit Committee at the end of the month.

123. Linkages with Other Board Committees

123.1 Healthcare Governance & Risk Management Committee - Minutes of the Meeting held 5 October 2010 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on the 5 October 2010 were received.

123.1.1 Professor Murray outlined previous discussions at the Healthcare Governance and Risk Management Committee in respect of the NHS Lothian Risk Register Report. The committee had asked how Internal Audit links into the risk register: Internal Audit will continue to review various documents including the risk register during the development of the audit plan.

123.1.2 Mrs Douglas queried how the Committee intended improving the communication issues between acute and the CHCPs/ CHPs. After some discussion with Mr Egan regarding the detail of the minute it was agreed that Mrs Douglas would take this issue forward offline.

123.2 Staff Governance Committee – Minutes of the Meeting held on 29 September 2010 – the previously circulated minutes of the Staff Governance Committee meeting held on the 29 September 2010 were received.

123.2.1 Members were advised of the progress and barriers in achieving the HEAT target in respect of E-KSF.

123.2.2 The Committee discussed how individual members of staff involved in investigations gain legal representation. The Committee noted that the position being taken by the Central Legal Office was to represent the body corporate rather than individual staff members. Mr Egan and Mr Boyter had

TD

been tasked with seeking clarity and providing alternative arrangements for staff if necessary.

123.2.3 The Chair noted the links between the position of the Central Legal Office and the recent discussions surrounding services provided by Spire Healthcare. He requested that Ms Goldsmith check whether the standard terms of the contract with Spire provide sufficient cover for NHS Lothian irrespective of who Spire employs to perform the work, eg consultants working individually or consultants working as part of limited companies..

SG

123.2.4 The Chair reminded the Committee of the importance of ensuring that all staff attended mandatory training. Training would be monitored at the Executive Management Team through regular reports from the Director of Human Resources.

Mrs Russell entered the meeting.

124. Internal Audit Reports

124.1 Internal Audit Progress Report (November 2010)

124.1.1 Mr Woods gave a brief overview of the report highlighting that overall there had been good progress made with the audit plan. The project sponsor for the RHSC Re-provisioning Project has requested that the proposed audit be delayed until March 2011; further discussions with the Project Sponsor will take place.

124.1.2 It was noted that recent counter-fraud reports had highlighted 3 employees suspected of working whilst on sick leave and 3 patients suspected of fraudulent claiming of travel expenses.

124.1.3 The Committee discussed what arrangements were in place if the internal audit team could not obtain information required during audits, or delays were experienced in receiving comments on draft reports,. The discussion touched on the need to balance the desire for good relationships against pressing for information or responses.

124.1.4 In response to a query from Mr Peacock about the vehicle fleet, the Chair advised that the Board does not own vehicles, but instead hires vehicles through a central contract. As a result, vehicles are maintained within the contract terms, thereby protecting the Board from exposure to increased maintenance costs. He went on to request Mr Peacock's assistance in the effective running of the revitalised Transport Access Committee.

124.1.5 The Committee noted the previously circulated internal audit progress report (November 2010) and the assurances therein.

125. External Audit

125.1 Audit Scotland: Priorities and Risks Framework (October 2010) and Audit Planning Process - previously circulated Audit Scotland Priorities and Risk Framework and Audit Planning Process report was received.

125.1.2 Mrs Woolman gave a detailed overview of the report highlighting the purpose of the priorities and risk framework as a planning tool to aid the development of the external audit plan. Mr Woods confirmed that the report fits in with the internal audit universe and he refers to the framework document when scoping audits.

125.1.3 The Chair expressed concerns that the section about the NHS Scotland Resource Allocation Committee (NRAC) was too light in respect of the background and it was unclear who was or was not benefiting from NRAC.

125.1.4 The Committee discussed the potential email, phone or text based initiatives to improve attendance at clinics as part of future saving plans. Members noted the current costs of Do Not Attends, and an initiative to display the number of patients who do not attend on clinic doors or notice boards.

125.1.5 Ms Woolman tabled a paper on the audit planning process and gave a brief overview highlighting that the Audit Plan would be brought forward to the next meeting of the Audit Committee whilst noting the challenges NHS Lothian would face as a result of budget cuts.

125.1.6 Professor Barbour highlighted that an increased level of risk had been imposed on Boards as a result of the reduced level of funding, and that the Framework document did not reflect this. Overall the Committee agreed that the document lacked the richness of detail in respect of the text, source, materiality of the risks presented. It was agreed that a paper to draw out these details would be submitted separate from the Audit Plan to the next meeting.

GW

125.1.7 On the Chair's request Mr Payne agreed to arrange a presentation on the impact of restructuring issues on NHS Lothian for the next meeting. (I don't have any more in my notes but I think this refers to changes within External Audit as a result of the Risk Assessment and how these would impact on the services they provide to the Board)

AP

125.2 Review of Internal Audit 2010/11 (29 November 2010) - the previously circulated Review of Internal Audit 2010/11 (29 November 2010) letter from Audit Scotland was received.

125.2.1 Mrs Russell introduced the letter, which explained that the actions taken by Internal Audit since the previous review ensured that the department is more closely aligned to the Government's Internal Audit Standards (GIAS). Overall, Audit Scotland concluded that Internal Audit operates generally in accordance with the GIAS and has appropriate documentation standards and reporting procedures in place.

125.2.2 The Committee noted that in order to rely on the work of internal audit and to assist with the audit of financial statements, Audit Scotland required key

financial systems to be covered on a more regular basis. As a consequence, in 2010/11, Audit Scotland plans to place formal reliance only on the internal audit of purchasing and accounts payable. However, general reliance will also be placed on the audits of Compliance with Policies & Procedures, Property Portfolio Management, Risk Management and IT Operations and Support.

125.2.3 Mr Woods updated the Committee on the current staffing issues within Internal Audit whilst providing assurances that the quality of the work remained high.

125.2.4 The Committee noted the assurances within the Review of Internal Audit letter. .

126. Corporate Governance

126.1 Counter Fraud Services Quarterly Report – September 2010 – the Committee noted the previously circulated Counter Fraud Services Quarterly Report – September 2010 and the information there in.

126.1.1 Mr Woods introduced the report highlighting Operation Starr as the only case belonging to NHS Lothian. Operation Magenta was also raised as a matter of interest, with Finance aware of the risks associated with fraudulent changes to suppliers' bank details. Finance has given assurances that the necessary control measures have been implemented.

126.2 Protecting Scotland's NHS: A Decade of Counter Fraud Activities – the previously circulated report on Protecting Scotland's NHS: A Decade of Counter Fraud Activities was noted.

126.2.1 Mr Woods outlined the report noting the positive promotion of NHS Lothian as a leading Board with a proactive approach to Counter Fraud. He also highlighted that newspaper headlines relating to two NHS Lothian cases featured in the report.

126.2.2 The Committee considered the cost of central functions such as Counter Fraud Services and the Central Legal Office, and the Board's responsibility to secure Best Value. It was agreed that options for releasing the Board from central commitments where Best Value is not demonstrated should be explored further.

SG

Mr Martin entered the meeting.

126.3 Technical Bulletin Summary (September 2010) – Mr Martin outlined the report to brief the members on the latest releases from Audit Scotland- 2010/3 dated 24 September 2010.

126.3.1 The Committee noted the relevant highlights within the technical bulletin.

126.4 Changes to the Board's Delegated Limit to Approve Capital Schemes – the previously circulated report to secure the Committee's agreement to make the necessary changes to the Board's governance documentation so as to reflect the reduction in the delegated limit for capital schemes was received.

126.4.1 The Committee agreed to:

- Recommend to the Finance and Performance Review Committee that it reviews its Terms of Reference and proposes it to the Board for approval.
- The Director of Finance making the necessary amendments to the Scheme of Delegation, for approval by the Board.
- The Director of Finance making the necessary amendments to the operational procedures associated with business case development and approval.

126.4.2 Ms Goldsmith agreed to take forward communicating the changes to the budget holders and investigate the parallels within the Endowments funds and feed back to the Committee.

SG

126.5 Audit Scotland: The Role of Boards – the previously circulated report to provide the Committee with a briefing on the Audit Scotland Report on the Role of Boards and an opportunity to inform the paper that will be presented to the Board was received.

126.5.1 After some discussion it was agreed that Mr Payne and Ms Goldsmith pick up the inaccuracies within the documentation, and validate the data in appendix 2 before bringing it back to the next meeting.

AP/SG

126.6 CFS Patient Exemption Checking Report – the report to provide the Committee with information on the latest analysis of fraudulent and erroneous claims on patient exemption charges was received.

126.6.1 Mrs Goldsmith introduced the report highlighting the key messages within the report. The reduction of risk related to the removal of the prescription charge and the potential work required to reduce the number of cases related to dental exemptions.

126.6.2 The Committee agreed to note the report and the declining overall level of fraud and particularly reducing impact of the main component, Pharmacy. In addition they also noted the relationship to estimates and the actual recoveries and write offs.

127. Items for Information

127.1 Audit Scotland – Transport for Health & Social Care Project Brief – the Committee noted the previously circulated report on Transport for Health and Social Care Project Brief on request of the Chair.

127.2 Dr Winstanley expressed concerns regarding the lack of clarity surrounding the Patient Transfer Services, the requirement for a service level agreement with the Scottish Ambulance Service and alternative viable approaches to

ensure best value for money. Further advice regarding the exposure of risk would be investigated.

128. Any Other Competent Business

128.1 The Committee noted that there were no items of other competent business.

129. Date of Next Meeting

129.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Tuesday, 8 February 2011 at 9.00am in Waverley Gate, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Tuesday 8 February, 2011 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr S Renwick (in the Chair); Mr E Egan; Mrs T Douglas; Mr B Peacock.

In Attendance: Professor J J Barbour; Ms S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mrs H Russell (External Auditor – Audit Scotland); Mr D Woods (Chief Internal Auditor); Ms G Woolman (External Auditor - Audit Scotland); Mr A Payne (Corporate Governance & VFM Manager) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr D Miller.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. No interests were declared.

130. Minutes of the Previous Meeting

130.1 Minutes of the Previous Meeting held on 6 December 2010 – previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 6 December 2010 were approved as a correct record.

131. Matters Arising

131.1 Audit Scotland – Transport for Health & Social Care Project Brief - Mrs Woolman reported that a meeting between the Performance Audit Group and the Board Chairman to address Dr Winstanley's concerns regarding the lack of clarity surrounding the Patient Transfer Services had been scheduled.

Mr Egan and Mr Martin entered the meeting

131.2 Matters Arising from the Meeting of 6 December 2010– the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 6 December 2010, together with the action taken and the outcomes.

131.1.1 Mr Payne introduced the action note. With regards Spire, Mr Payne noted the clear provisions within the SLA with respect to the quality of individual staff Spire must use as well as its responsibilities for clinical Governance. Spire management have previously advised Board management in a clinical governance visit that they would confirm that appropriate indemnity insurance

arrangements are used when a consultant employs people to perform a role in the provision of care. The Committee requested that assurance be provided that the risk presented by limited companies providing the care, as opposed to individuals, is managed. There may be a risk if the limited company does not have indemnity insurance in place. There needs to be clarity as to when the Board would be liable, and when it is not.

131.1.2 Mr Woods advised the Committee that the current contract with Spire was due to end in March. However, the Committee noted that the principles being discussed are relevant for other third-party providers of healthcare.

131.1.3 Staff Lottery – Mrs Goldsmith advised that the management body for the lottery has now engaged legal advice. The Board is holding funds on its behalf, but shall transfer this to the new body once the legal structures are in place. Mr Woods highlighted that the new legal body may be an incorporated one, and not necessarily an unincorporated one as mentioned in the Action Note.

131.1.4 Payment Verification Procedures – Mrs Goldsmith updated the Committee on the progress of the outstanding orthodontist case noting that wording satisfactory to both parties had been agreed, and a conclusion would be achieved in the near future.

131.1.5 The Committee agreed to note the action taken in respect of the Matters Arising.

132. Operational Audit Sub-Committee

132.1 Minutes of the Operational Audit Sub-Committee held on 29 November 2010 – the Committee noted the previously circulated minutes of the meetings of the Operational Audit Sub-Committee held on 29 November 2010.

132.1.1 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meeting held on 29 November 2010.

132.1.2 Update on Operational Audit Sub-Committee held on 31 January 2011 – the Chair gave a brief update on the meeting of 31 January 2011, noting discussions in respect of the draft internal audit plan.

Mr Peacock entered the meeting.

132.1.3 Following discussions surrounding the implementation of recommendations arising from audit reports, the Committee were assured of the level of scrutiny in place. A report providing a snapshot of the current position regarding outstanding action points would be presented at the next meeting.

AP

133. Linkages with Other Board Committees

133.1 Finance & Performance Review Committee held on 28 October 2010 – the Committee noted the previously circulated minutes of the Finance and Performance Review Committee held on 28 October 2010.

133.2 Update on Finance & Performance Review Committee held on 12 January 2011 – the Chair updated the Committee on discussions surrounding the new Royal Hospital for Sick Children in relation to alternative funding mechanisms, clinical link with DCN and ongoing work to get a consensus with the Scottish Futures Trust.

133.2.1 Mr Woods agreed to check with the Project Sponsor whether auditors from the Scottish Government who had indicated an earlier interest are still expected to review the Royal Hospital for Sick Children Re-provisioning project.

DW

134. Internal Audit Reports

134.1 Internal Audit Plan 2011-2012

134.1.1 Mr Woods updated the Committee on the development of the audit universe, prioritisation of audits and development of the audit plan. Also, members noted his recommendation to contract external expertise to conduct the proposed audit of the Royal Hospital for Sick Children Re-provisioning project.

134.1.2 Mr Woods advised that he is currently scoping a possible additional audit on the request of the Chief Executive. Members noted that any additional audits or changes to the audit plan would be subject to the approval of the Committee.

134.1.3 In response to the Chair's query Mrs Woolman advised the Committee that Audit Scotland were satisfied with the processes in place for developing the audit plan, timeliness of the plan being presented to the Committee and ongoing dialogue between Audit Scotland and the Chief Internal Auditor.

134.1.4 The Committee agreed to approve the audit plan for 2011 to 2012.

135. External Audit

135.1 Audit Scotland – Draft Annual Audit Plan 2010/11 – Mrs Russell gave a detailed overview of the previously circulated Audit Scotland Draft Annual Audit Plan 2010/11.

135.2 Mr Egan expressed concerns that the proposed review of staff earning over £100k per annum was in breach of the Staff Governance Standard. Professor Barbour queried the provenance of the review when the original request instructed Boards to ensure that they were satisfied with arrangements in place. After further discussions Mr Martin agreed to urgently collate all correspondence to enable a review of the position liaising with Mrs Goldsmith, Mr Renwick, Professor Barbour and Mr Egan prior to providing a formal response to Audit Scotland.

BM

135.3 Mrs Goldsmith agreed to liaise with Mr Egan surrounding the definition of consultants in relation to the use of consultancy services – follow up audit.

Professor Barbour left the meeting.

135.4 After some debate the Committee decided that further discussions in respect of the external audit fee was required

SG

135.5 Members agreed to provide comments on the plan to Mrs Russell by no later than Friday 11 February 2011. Mrs Russell would consider all comments before bringing the report back for approval at the next meeting.

ALL/HR

136. Corporate Governance

136.1 Counter Fraud Services Quarterly Report – December 2010 – the Committee noted the previously circulated Counter Fraud Services Quarterly Report – December 2010 and the information there in.

136.1.1 Mr Woods introduced the report highlighting Operation Clove as the only case linked to NHS Lothian; Human Resources had been made aware of the case and the situation was being monitored.

136.1.2 Members were advised that the Director of Finance at the Scottish Government Health Department had written to Directors of Finance of NHS boards suggesting that Counter Fraud Services Bulletins be presented to Audit Committees. Mr Woods provided assurance that Bulletins are distributed and auctioned appropriately within NHS Lothian. The Committee agreed to receive copies of the next Bulletins issued and take a view thereafter on the need to keep receiving them.

136.1.3 The Committee discussed issues relating to the treatment of non-eligible overseas patients, the role of the UK Border Agency and GPs' role as gatekeepers. The Chair reassured Members that a reasonable framework was in place, and noted that the topic has been discussed regularly at the Operational Audit Sub-Committee. Also, Mr Woods advised that the topic was to be specifically discussed at the next meeting of the Counter Fraud Action Group. The Committee will be updated as appropriate following discussions at the Counter Fraud Action Group. Also, at the year end, Mr Woods will be providing the Operational Audit Sub-Committee with annual fraud statistics including figures for non-eligible overseas visitors.

136.2 Audit Scotland: The Role of Boards – the previously circulated report to provide the Committee with a briefing on the Audit Scotland Report on the Role of Boards and an opportunity to inform the paper that will be presented to the Board was reviewed.

136.2.1 Mr Payne agreed to incorporate comments from Mr Egan and Mrs Douglas in relation to the Non-Executive induction process, the relationship between the

Chairman and Non-executive Directors and actions on page 13 into the analysis schedule.

136.2.2 After some discussion it was agreed that Mr Payne would liaise with Mrs Tait to take forward a joint approach prior to submission to the Board.

AP

136.2.3 The Committee noted the offer from Audit Scotland to assist in the development of the report.

136.3 Technical Bulletin Summary – Mr Martin outlined the report to brief the members on the latest releases from Audit Scotland - 2010/4 dated 15 December 2010.

136.3.1 The Committee noted the relevant highlights within the technical bulletin.

136.4 2009/10 Audits – NHS Audit Service Quality Survey – Mrs Woolman introduced the report that informed the Committee of the last audit of the interface between finance and external audit in the 5 year term of Audit Scotland's employment.

136.4.1 The Committee agreed to note the report and the information therein.

137. Any Other Competent Business

137.1 Finance Department – Mrs Goldsmith agreed to follow up arrangements for Mr Peacock to attend a training session on the role of the Finance Department.

SG

137.2 Vehicle Fleet Management – Mr Woods agreed to meet with Mr Peacock out with the meeting to discuss the recent audit report on Vehicle Fleet Management.

DW

138. Date of Next Meeting

138.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Tuesday, 12 April 2011 at 9.00am in Waverley Gate, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Tuesday 12 April, 2011 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr S Renwick (in the Chair); Mr E Egan; Mrs T Douglas and Professor P Murray.

In Attendance: Miss L Baird (Committee Administrator); Professor J J Barbour (Chief Executive); Mrs R Kelly (Associate Director of Human Resources); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mrs H Russell (External Auditor – Audit Scotland); Mr A Payne (Corporate Governance & VFM Manager); Mrs C Potter (Associate Director of Finance); Mr D Woods (Chief Internal Auditor) and Ms G Woolman (External Auditor - Audit Scotland).

Apologies for absence were received from Dr C J Winstanley and Mrs S Goldsmith.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. The Chair declared a minor interest in respect of the Patient Representative at Healthcare Governance & Risk Management Committee who has recently undertaken work for the company he owns.

1. Minutes of the Previous Meeting

1.1 Minutes of the Previous Meeting held on 8 February 2011 – previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 8 February 2011 were approved as a correct record subject to the following minor amendments:

- Professor Murray's name would be added to the apologies list.
- Item 136.1.2 would be corrected to state that "Mr Woods provided assurances that bulletins are distributed and **actioned** appropriately within NHS Lothian".

2. Matters Arising

2.1 Matters Arising from the Meeting of 8 February 2011– the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 8 February 2011, together with the action taken and the outcomes.

2.2 Mr Payne introduced the action note. With regards to Spire, Mr Payne noted that the contract with Spire had expired and the Board did not intend to renew

the contract in the near future. He advised that the issue of the liability of third party contractors was unfortunately not directly covered in the previous contract, although the Board may have been able to rely on other clauses that were in place. Management is reviewing the terms of the agreement with the Central Legal Office, so that should there be a need to enter into a new contract, adequate provisions will be in place.

- 2.4 The Committee agreed to note the actions taken in respect of the Matters Arising.

3. Operational Audit Sub-Committee

- 3.1 Minutes of the Operational Audit Sub-Committee held on 31 January 2011 – the Committee noted the previously circulated minutes of the meeting of the Operational Audit Sub-Committee held on 31 January 2011.

3.1.1 The Chair advised the Committee of discussions surrounding the implications on primary care payments governance arising from changes to the structure of the NHS in England. Following the discussion at the Operational Audit Sub-Committee it had been agreed that a paper in respect of these issues would be brought forward to the next Primary & Community Partnership Committee.

3.1.2 With respect to the audit on Staff Disciplinary & Grievance, Mr Egan commented that the minute did not reflect the depth of the draft audit report which he had discussed with the Chief Internal Auditor and Director of Human Resources & Organisational Development.

3.1.3 Mr Woods reported that the draft version discussed with Mr Egan had been updated in response to further information provided by Employee Relations, but the substance of the report had remained unchanged. However, discussions at the Operational Audit Sub-Committee had focused on the management actions which Employee Relations had agreed to take forward. Therefore, the minute did not repeat the findings of the report, which had been presented in full to the Operational Audit Sub-Committee. Mr Woods agreed to forward a copy of the final report to Mr Egan.

3.1.4 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meeting held on 31 January 2011.

- 3.2 Update on Operational Audit Sub-Committee held on 28 March 2011 – the Chair gave a brief update on the meeting of 28 March 2011.

4. Linkages with Other Board Committees

- 4.1 Finance & Performance Review Committee held on 12 January and 9 February 2011 – the Committee noted the previously circulated minutes of the Finance and Performance Review Committee meetings held on 12 January and 9 February 2011.

- 4.2 Healthcare Governance and Risk Management Committee held on 1 February 2011 – the Committee noted the previously circulated minutes of the Healthcare Governance and Risk Management Committee meeting held on 1 February 2011.

5. Internal Audit Reports

5.1 Internal Audit Progress Report (March 2011)

- 5.1.1 Mr Woods introduced the report highlighting progress with the audit plan since the document had been prepared: 4 further reports had been finalised, and the remaining 4 were in draft or would be drafted in the near future.
- 5.1.2 With respect to counter fraud work, Mr Woods reported that 3 cases are progressing to court, 2 further cases have been reported to the Procurator Fiscal, one case is about to be referred to the Procurator Fiscal, and another case is moving to a formal interview-under-caution. Also, a suspected theft case has been reported to the police.
- 5.1.3 With regards the audit team, Mr Woods advised that the application to have revised job descriptions evaluated had resulted in the same banding levels as at present. He advised that he has appealed this decision.
- 5.1.4 The Committee noted that the audit of Compliance with Policies & Procedures had been recently finalised, and will be received by the Executive Management Team shortly. Professor Barbour advised that work was underway to improve the systems of control in this area, and that Mr Boyter had been asked to lead this work. Members agreed that they should receive a report from Mr Boyter on this matter.

AB

Mrs Kelly entered the Meeting

- 5.1.3 Following a debate on Health Tourism at the Operational Audit Sub-Committee, the Chair reiterated the view that General Medical Practitioners do not necessarily see themselves as the gatekeepers to NHS services. Members were invited to consider this item for further discussion at a future meeting. Professor Barbour proposed linkages with the income strategy to ensure an appropriate mechanism for recovering income, and that he required assurance that the organisation is fully recovering the costs borne in treating overseas patients.
- 5.1.4 Mr Woods advised that the Income Team has been considering the merits of a single point of contact to advise GPs about patients' eligibility for free treatment. The Counter Fraud Action Group will be receiving a presentation from the Income Manager at its next meeting, and so will be considering this topic in detail.

- 5.1.5 Mr Woods highlighted a proposed change to the audit plan in that child protection arrangements had been removed from the scope of a current audit, which instead will focus on adults at risk.
- 5.1.6 Members agreed it was appropriate to defer audit coverage of child protection to the following year given other reviews which are taking place over child protection across Edinburgh, East, West, and Midlothian.
- 5.1.7 Ms Woolman acknowledged that review work was taking place in relation to child protection within the Lothian region. As an external auditor, she acknowledged that she would have access to information in relation to these audits, which she agreed to share with the committee as part of best practice.
- 5.1.8 Professor Murray spoke about the work being undertaken by the Controlled Drugs Governance Team. The Chair requested that the Controlled Drugs Governance Team give a presentation on their work to a future Operational Audit Sub-Committee meeting.

PM

6. External Audit Reports

- 6.1 Audit Scotland – Annual Audit Plan 2010/11 (February 2011) – Ms Woolman presented the previously circulated Audit Scotland Annual Audit Plan 2010/11 (February 2011).
- 6.1.1 Professor Barbour advised that with respect to paragraph 39 (joint working), the auditors should consider the development and application of the Change Fund. He also noted that it would be helpful in future plans and reports that, where the text refers to concerns being raised, the concerns be attributed to those who expressed them.
- 6.1.2 Mrs Douglas advised Ms Woolman that with respect to the same paragraph, it is important to recognise that the shift did not only relate to the move to host services in the community, but also how services are provided within the community.
- Ms Woolman confirmed that the audit plan is a working document rather than a formal report, and that the audit approach will factor in the feedback.
- 6.2 Audit Assurance on Application of Pay Policies – staff earning over £100,000 – The Committee noted the report arising from previous discussions at the Audit Committee, and that further clarification had been issued by the SGHD Director of Finance on the conduct of the review.
- 6.2.1 Mrs Kelly gave details of the timeline for correspondence. She had liaised with Audit Scotland to agree the approach, which involved Finance and Human Resources reviewing the pay calculations for a random sample of 30 staff members who earned over £100,000. The review identified only one material concern; a clinician had been in receipt of a 5% availability supplement to which they were not entitled over a number of years. The overpayment was £26,000 and recovery proceedings have been instigated.

- 6.2.2 The letter from Audit Scotland highlighted several areas where further evidence was required before they could fully conclude the work. Ms Kelly advised that she is pursuing these areas, and shall provide evidence to the auditors. Once the exercise is completed, a final assurance letter shall be provided by the Chairman to the Cabinet Secretary.
- 6.2.3 Mrs Woolman highlighted that Audit Scotland was interested to see what steps are taken to strengthen internal controls in this area, as a result of any lessons learned from this review.
- 6.2.4 The Committee noted that the position and Ms Kelly left the meeting.

7. Corporate Governance

- 7.1 Follow Up of Audit Recommendations – the previously circulated report to provide the Committee with a short briefing on the current status of the follow up process, as requested at its meeting of 8 February 2011, was received.
- 7.1.2 Members noted the progress and positive outcomes in relation to the evolution of the follow-up of audit recommendation processes. It was recognised that the number of outstanding recommendations was at its lowest level, and any further amendments to the follow-up process are of a type that can be expected from a mature system.
- 7.1.3 Mr Woods proposed it would be useful to enhance the statistics presented in the report to indicate the percentages that have been closed, in comparison to those that have not. Also for those that have been closed, it would be helpful to indicate how many were achieved within the agreed timescale. The report should also highlight outstanding critical recommendations. Mr Payne agreed to address this for the next update.
- 7.1.4 It was agreed that the Committee would receive reports at every other meeting of the Audit Committee. **AP**
- 7.2 Scottish Government: Statement on Internal Control – the previously circulated report to provide the Committee with the latest guidance on the Statement on Internal Control was received.
- 7.2.1 Mr Payne presented the report and attached Scottish Government letter. He outlined the standardised process used to devise the Statement on Internal Control on behalf of the Committee; and outlined how assurances should be provided to enable the Accountable Officer to sign off the Statement on Internal Control at the June 2011 meeting of the Audit Committee.
- 7.2.2 Members acknowledged the Scottish Government's revised instructions in relation to best value. It was agreed that Mr Payne would adapt the Statement on Internal Control to take into account the new format prior to circulation to directors for comments and submission to the June 2011 meeting. **AP**

- 7.2.3 Professor Barbour advised that he believes that productivity shall become an increasingly key issue for the public sector, and that the Best Value assurance statement should reflect Board work in this area. He referred to the planned reductions in staff, the inherent productivity associated with the Board not receiving its full NRAC allocation, and the history of the use of LEAN techniques within NHS Lothian.
- 7.2.4 The Committee specifically considered the Role of the Audit Committee as set out in the guidance, and was satisfied that processes are in place to allow it to discharge this role.
- 7.2.5 The Committee discussed the requirements for a mechanism to ensure that budget holders do not overspend. The Committee noted that the Director of Finance had been tasked with devising a system that ensures that overspends need to be justified at director level. Mrs Potter provided assurances that Finance has carried out an in-depth budget setting exercise, which included writing out to all managers, providing them with packs for indicative budgets and identifying known costs and overspends. Overall the systems in place were the most robust they have ever been.
- 7.2.6 The Committee noted the guidance and that the process had begun to have the necessary assurances ready for the Audit Committee of 21 June 2011.
- 7.3 Annual Report from the Chair of the Staff Governance Committee – Mr Egan introduced the report to provide the Audit Committee with the Annual Report of the Staff Governance Committee, so as to provide a source of assurance with respect to the Statement on Internal Control.
- 7.3.1 The Chair requested that the standard format for the annual reports be amended to make more explicit the key risks considered by each committee, and what assurance are in place for those risks. It was agreed that Mr Payne would take forward making the necessary amendments to the template and circulate it to staff.
- 7.3.2 The Committee noted the annual report of the Staff Governance Committee, and the assurances therein.
- 7.4 Management of the Scottish Government’s Capital Investment Programme – the previously circulated report to update the Committee on the recommendations arising from the Audit Scotland report “Management of the Scottish Government’s Capital Investment Programme”, published in January 2011 for individual public bodies was received.
- 7.4.1 Mrs Potter presented the report to the Committee highlighting the response to the points raised, and the summary of recommendations outlined in appendix 1. The Lothian Capital Investment Group (LCIG) had considered the report and no major issues were raised.

AP

- 7.4.2 The Committee noted the recommendations arising from the report, NHS Lothian's position against each and the specific recommendations.
- 7.5 Discussion Paper – the Application of ESA 95 to the Royal Infirmary of Edinburgh Contract (March 2011) – the previously circulated report to provide members with the report received from Ernst and Young on the option of reclassifying the Royal Infirmary of Edinburgh as off the Scottish Government balance sheet under European System of Account 1995 was received.
- 7.5.1 The Committee had a detailed debate about the proposed reclassification; the implications for any future development on the Royal Infirmary of Edinburgh Site and current contractual arrangements with Consort.
- 7.5.2 Professor Barbour questioned what consequences NHS Lothian would face as a result of this change. Ms Potter indicated these would be highlighted through the Outline Business Case process for the Royal Hospital for Sick Children / Department of Clinical Neurosciences.
- 7.5.3 The Committee noted the recommendations set out in the discussion paper and agreed that further clarification surrounding the risks to NHS Lothian should be taken forward through the Finance and Performance Review Committee.
- 7.6 Technical Brief Overview – Audit Scotland 2011/1 - Mr Martin outlined the report to brief the members on the latest releases from Audit Scotland - 2010/4 dated 15 December 2010.
- 7.6.1 With respect to the reported fraud on fictitious pension payments, it was agreed that Mr Payne would refer this to local managers to determine whether the Board is exposed to this type of fraud, and provide feedback to the Counter Fraud Action Group. Mrs Woolman advised she could provide further information on the case if required.
- 7.6.2 The Committee noted the relevant highlights within the technical bulletin.
- 7.7 Accounting Policies – the previously circulated report to ask the Committee to recommend to the Board that the amended accounting policies be adopted was received.
- 7.7.1 Professor Barbour requested that Appendix 1 in respect of the consolidation of the Endowment fund accounts with the Exchequer funded accounts should reflect that endowments funds are governed by a charity that is registered with the Office of the Scottish Charity Regulator – the Edinburgh and Lothians Health Foundation. Also, a paragraph explaining the appointment process for trustees should be included.
- 7.7.2 Mr Woods mentioned that he has been raising questions regarding accounting policies for heritage assets. Mr Martin advised that this topic is still being considered, including questions regarding ownership of art works (in particular, whether ownership lies with NHS Lothian or Endowments). Mr Martin and Mrs Potter agreed to progress discussions.

CP

AP

BM

- 7.7.3 Members agreed to provide further comments to Mr Martin out with the meeting.

ALL

Mr Egan left the meeting

- 7.8 CFS Intelligence Alert Issue 02/2011 (February 2011) – Mr Woods presented the CFS Intelligence Alert Issue 02/2011 (February 2011). in response to the Committee's previous request to receive such bulletins.

- 7.8.1 The Committee noted the CFS Intelligence Alert Issue 02/2011 (February 2011) and the information therein.

- 7.9 Using the Equality Duties to Make Fair Financial Decisions (for information) – the Committee noted the previously circulated report on complying with equality duties to make fair financial decisions.

8. Any Other Competent Business

- 8.1 There were no other items of competent business.

9. Date of Next Meeting

- 9.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Tuesday, 21 June 2011 at 9.00am in Waverley Gate, Edinburgh.

NHS Lothian

Audit Committee

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 21 June 2011 in Meeting Room 5, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mrs T Douglas, Mr E Egan; Mr B Peacock and Mr S Renwick (in the Chair).

In Attendance: Ms J Bennett (Clinical Governance Manager); Professor J J Barbour (Chief Executive); Mrs S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D Miller (General Manager, Primary Care Contracts); Ms H Russell (External Auditor - Audit Scotland); Mr D Woods (Chief Internal Auditor); Dr C J Winstanley (Chairman); Ms G Woolman (External Auditor - Audit Scotland); Mr A Payne (Corporate Governance & Value-for-Money Manager) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Ms Carmichael.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. The Chair declared that his employer had an interest in shared services contracts discussed at the Finance and Performance Review Committee.

10. Minutes of the Previous Meeting

- 10.1 Minutes of the Previous Meeting held on 12 April 2011 – previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 12 April 2011 were approved as a correct record, however Mr Peacock's submitted apologies should also be recorded.
- 10.2 Ms Woolman advised the Committee that the exercise on staff earning over £100,000 was complete. The final letter of assurance had been issued with the letter to the Cabinet Secretary.

11. Matters Arising

- 11.1 Matters Arising from the Meeting of 12 April 2011 – the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 12 April 2011, together with the action taken and the outcomes.

- 11.1.1 Mr Payne gave a brief overview of the action note noting the paper on the application of ESA 95 to the Royal Infirmary of Edinburgh contract that went to the Finance and Performance Review Committee on 8 June 2011.
- 11.1.2 Mrs Goldsmith advised the Committee that work to transfer the staff lottery would be completed within the financial year. Legal advice had been sought regarding the use of NHS Lothian's name. It has already been confirmed that the "Lothian Health Board" and the "Edinburgh and Lothian's Health Foundation" could not be used.
- 11.1.3 Members were advised that NHS Lothian had received the final payment in relation to the Orthodontist case. Mrs Goldsmith had met with PSD and legal advisors to progress the review. The outcome of this review will be reported to the September Operational Audit Sub-Committee, and thereafter the Scottish Government's Health & Wellbeing Audit Committee.
- 11.1.4 The Committee agreed to note the action taken in respect of the Matters Arising.

12. Operational Audit Sub-Committee

- 12.1 Minutes of the Operational Audit Sub-Committee held on 28 March 2011 – the Committee noted the previously circulated minutes of the meeting of the Operational Audit Sub-Committee held on 28 March 2011.
 - 12.1.1 Referring to the internal audit report on Community Nursing & Health Visiting, Mr Egan raised concerns that General Practitioners were being paid for duties performed by NHS Lothian staff. Members were advised that this had been discussed at the Primary Care Forward Group and a letter had been sent to the Lothian Medical Committee.
 - 12.1.2 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meeting held on 28 March 2011.
- 12.2 Update on the Operational Audit Sub-Committee held on 30 May 2011 – the Chair gave a brief overview of discussions in respect of the Death in Hospitals internal audit report which was received at the meeting.
 - 12.2.1 In reply to a question from Mr Egan regarding Maternity Medical Services Mr Miller advised the Committee that these duties were part of the Primary Medical Services Contract which was negotiated on a four country contract basis and the global sum payments funded this service. Members noted that a Short-life Working Group had been tasked locally to review this service and make recommendations for consideration locally and nationally.
 - 12.2.2 Mr Miller agreed to explore what would happen if NHS Lothian staff did not carry out these duties e.g. would these default to the General Practitioners.

DM

Ms Bennett entered the meeting.

13. Linkages with Other Board Committees

13.1 Finance & Performance Review Committee - Minutes of the Meetings held on 13 April 2011 - the previously circulated minutes of the Finance & Performance Review Committee meeting held on the 13 April 2011 were received.

13.1.1 The Committee discussed the revised funding mechanism and additional assurance required by the Scottish Futures Trust. The discussion highlighted concerns over whether the Committee has sight of the whole risks associated with the Royal Hospital for Sick Children / Department of Clinical Neurosciences project.

13.1.2 Professor Barbour advised the Committee that he had written to Mr White, Chief Executive Scottish futures Trust, sighting his concerns in respect of the requirements placed on NHS Lothian by the Scottish Futures Trust. He agreed to request that his Executive Assistant forward a copy of the letter to the Chair for his information.

JJB

Mr Woods advised the Committee that there are days in the 2011/12 internal audit plan to perform a review of the project. However, the scope and timing of the review are yet to be determined following changes in the structure of the project and close involvement already from Audit Committee members.

The Chair agreed to take forward project issues with Mr Egan and Mr Walker, Chair of the Finance and Performance Review Committee out with the meeting.

SGR

13.1.3 The Committee noted the Finance and Performance Review Committee minutes of 13 April 2011 and the information therein.

13.2 Healthcare Governance & Risk Management Committee - Minutes of the Meeting held 5 April 2011 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on the 5 April 2011 were received.

13.2.1 The Chair highlighted ongoing discussions in respect of the Risk Register at the Healthcare Governance and Risk Management Committee. Mr Egan raised concerns that he had observed gaps in the communication of risk to that Committee. The Chair advised the Committee of discussions surrounding moving risk to the remit of the Audit Committee. He agreed to discuss the move with Dr Winstanley and Professor Murray out with the meeting. The Audit Committee confirmed that it would like to have regular sight of the risk register.

SGR

13.2.2 Professor Barbour advised the Committee that Dr Farquharson would take forward devising a standard wording to clarify that adding risks to the register did not absolve responsibility.

- 13.2.3 The Committee noted the Healthcare Governance and Risk Management Committee minutes of 5 April 2011 and the information therein.

14. Internal Audit Reports

14.1 Compliance with Policies and Procedures (March 2011) and Update Report from Director of Human Resources

14.1.1 Mr Woods introduced the internal audit report on Compliance with Policies and Procedures which had been referred to the Audit Committee by the Operational Audit Sub-Committee. He advised that the audit had been commissioned by the Chief Executive, and gave an outline of the scope. The audit concluded that staff are not always being made aware of new or amended policies and procedures, and staff's awareness cannot be readily evidenced. Also, the volume and range of policies can contribute towards confusion. Mr Woods mentioned that managers gain assurance of compliance through building controls into processes, supervising work and reviewing performance and incident reports, but non-compliance with policies and procedures has been a recurring theme highlighted through other audit work.

14.1.2 Mr Boyter presented the previously circulated action plan to improve awareness and compliance with policies and procedures. He advised the Committee that he had nominated NHS Lothian as a pilot site for the first phase of the Human Resources system in September 2011. The Committee noted that a revised procedure on the development, approval and communication of policies would be presented to the HR Policy Group, the Clinical Policy Group, Executive Management Team and finally to the Lothian Partnership Forum for approval. Mr Egan requested that the report and action plan also be submitted to the Staff Governance Committee for consideration. **AB**

14.1.3 The Committee were advised of revisions to all managers' personal development plans to include mandatory objectives.

14.1.4 Mr Boyter advised the Committee that work to map policies and procedures on the intranet was ongoing. In response to his suggestion the Committee agreed that the Quarterly Workforce report would be revised to include a paragraph to highlight the progress of mandatory training. **AB**

14.1.5 The Committee agreed to endorse the action being taken and agree the later implementation date of 30 September 2011 for approval of the revised procedure on the "Development of NHS Lothian Policies and Procedures".

14.2 Internal Audit – Progress Report May 2011

14.2.1 Mr Woods gave a brief overview of the report and highlighted the completed 2010 plan, the schedule for 2011 and recent increase in fraud activity. The Committee noted that the increased activity helped evidence that systems were working to identify fraudulent acts and the application of the zero tolerance approach.

14.2.2 The Committee noted the previously circulated Internal Audit Progress Report May 2011 and the assurances therein.

14.3 Internal Audit - Annual Report for 2010/11

14.3.1 Mr Woods spoke to the annual report and confirmed that Internal Audit's work indicated that reasonably adequate and effective internal controls had been operating throughout the year. He summarised that Internal Audit could report positively against the guidance for supporting completion of the Statement on Internal Control.

14.3.2 The Committee agreed to accept the report.

14.4 Counter Fraud Services Quarterly Report – March 2011

14.4.1 Mr Woods noted the Counter Fraud Services quarterly reports underlining Operations HARRIER and DILL from NHS Lothian. He then advised that NHS Lothian staff continued to show a healthy commitment towards reporting suspected fraud.

14.4.2 Professor Barbour queried whether additional processes of assurance could be applied to independent contractors. Mr Miller assured the Committee that processes for General Practitioners were sufficient, although further work was required with PSD regarding the payment verification process for dentistry. Further assurances in respect of optometry and the changing processes in pharmacy would also be sought. Mrs Goldsmith advised the Committee that she had met with PSD to discuss ownership noting the challenges related to the current payment systems.

14.4.3 Professor Barbour called for a map of accountability to clarify where claims paperwork went, who was accountable for ensuring that payments were made appropriately and who should be contacted in respect of implementing additional processes. Members agreed that Professor Barbour's suggestion would be a step towards a managerial approach that would replace the current administrative approach.

14.4.5 Members were advised that discussions at the Community Health Partnerships had taken place on this subject however a detailed debate was still required to ensure that all issues were resolved.

14.4.4 Mr Miller agreed to prepare an accountability map and present it at the next Operational Audit Sub-Committee.

DM

14.4.6 The Committee agreed to accept the CFS Quarterly Report – March 2011.

14.5 Counter Fraud Services – Patient Exemption Checking – Annual Reporting Package 2010/11

14.5.1 The previously circulated report to provide the Committee with information on the latest analysis of the levels of fraud or error within claims for exemption from patients' charges was received.

- 14.5.2 The Committee noted that the estimated fraud/ error had reduced in all areas for Lothian and now stands at £1.4m and that the estimated potential fraud and error had reduced in Dental and Ophthalmic but increased in Pharmacy. Mrs Goldsmith advised the Committee that this was an estimated figure and the situation with Pharmacy should improve with the abolishment of prescription charges.
- 14.5.3 The Committee noted that whilst the comparative level of estimated fraud/ error and estimated potential fraud/ error was falling, it is still not at an acceptable level. There is a residual risk to the Board, and this should be reflected in the appropriate risk register.
- 14.5.4 Mr Miller advised the Committee that he acted on behalf of the Community Health Partnerships, in his role he ensured that all issues were regularly communicated to the Primary Care Joint Management Group and Community Health Partnerships meetings. Overall it was the responsibility of the Community Health Partnerships to acknowledge and action the information that Mr Miller provided.
- 14.5.5 Building on Mr Miller's mapping exercise, further work should be undertaken to reduce the risk of fraud or error within patient exemption charges. **SG**

14.6 Quality Outcomes Framework and Contract Review Update

- 14.6.1 Mr Miller gave a detailed presentation on the quality outcomes framework and contract review. He highlighted that 8 practices received the full number of points, all practices had received payment, 2 had been identified for targeted visits and some were required to provide further information. He assured the Committee that he was satisfied with the level of assurance and evidence that had been received.
- 14.6.2 Mr Egan expressed concerns that he had received a number of complaints regarding accessing General Practitioners within 48 hours. Members agreed that this should be included in the risk analysis section of Mr Miller's report to the Operational Audit Sub-Committee. Work in respect of financial leverages would also be teased out and inserted into the report to the Operational Audit Sub-Committee. **DM**
- 14.6.3 Mr Miller advised the Committee that some practices had been reviewed in relation to issues with fridge temperatures and quality of practice leaflets; recoveries would be sought if these issues were not resolved. He went on to note that contracts were reviewed every year by the PCCO and findings were reported to the Primary Care Joint Management Team and Community Health Partnerships.
- 14.6.4 Mr Miller reiterated that the processes in place were laid out in the Framework, the Primary Care Joint Management Group received regular updates, and any action would be anticipated and brought back in collaboration with Mr Miller.

14.6.5 The Committee noted the Quality Outcomes Framework/ Statutory & Contractual Review verbal update, as a source of assurance for the Statement on Internal Control.

14.7 Fraud Intelligence Alerts

14.7.1 The Committee noted the previously circulated Counter Fraud Services bulletins and the information therein.

14.7.2 Mr Woods provided assurances that the bulletins had been disseminated to appropriate colleagues. The Committee agreed to continue to receive Counter Fraud Services bulletins. The Chair requested that the bulletins be copied to the Foundation Director of the Edinburgh and Lothians Health Foundation.

DW

15. **External Audit Reports**

15.1 NHS Lothian: 2010/11 Review of Internal Controls - the previously circulated report on NHS Lothian: 2010/11 Review of Internal Controls from Ms Woolman was received.

15.1.1 Ms Woolman spoke to the report highlighting the key messages in relation to effective management of assets and interests, preventing material misstatement, error fraud or corruption, and compliance of established policies, procedures, laws and regulations. The report did not include any "high priority" matters.

15.1.2 The Chair noted that Ms Woolman and Ms Russell were approaching their end of term as members of the external audit team, and thanked them for their support and hard work over their years of service.

15.1.3 Mr Egan expressed concerns about some themes apparent from the recommendations presented by the external auditors, in particular that recommendations are not always being actioned by service managers. Mrs Goldsmith assured the Committee that work to resolve these issues was ongoing. Members agreed that they should take this opportunity to look at the stock management process including the health and safety aspect of stock management.

15.1.4 The Committee agreed to accept the report.

16. **General Corporate Governance**

16.1 2010/11 Healthcare Governance Committee Annual Report to Lothian NHS Board - the previously circulated report to provide the Committee with the annual report of the Healthcare Governance & Risk Management Committee, so as to provide a source of assurance with respect to the Statement on Internal Control was received.

16.1.1 The Committee discussed the risk of significant incidents not being alerted to the members of the Healthcare Governance & Risk Management Committee. It was agreed that the Chair would have a discussion with Professor Murray to ensure that all relevant issues were being systematically fed through the Healthcare Governance and Risk Management Committee.

SGR

16.1.2 In response to Dr Winstanley comments on the format of the report, Mr Payne agreed to review the format of the committee annual report template, so as to improve the 2011/12 annual reports.

AP

16.1.3 The Committee accepted the report provided as a source of assurance to support the Statement on Internal Control.

16.2 Lothian NHS Board Annual Report of the Chair of the Finance & Performance Review Committee Period Ending 31 March 2011 - the previously circulated report to provide the Committee with the annual report of the Finance & Performance Review Committee, so as to provide a source of assurance with respect to the Statement on Internal Control was received.

16.2.1 The Committee agreed that the frequency of meetings needed to be clarified in particular when there were special or irregular meetings. Mr Boyter's attendance would also be clarified to state that he had attended 4 out of 4 meetings since his appointment.

16.2.2 The Committee accepted the report provided as a source of assurance to support the Statement on Internal Control..

16.3 NHS Lothian Risk Management Annual Report 2010/11 – the previously circulated report to provide the Committee with the annual report in respect of NHS Lothian Risk Management, so as to provide a source of assurance with respect to the Statement on Internal Control was received.

16.3.1 Ms Bennett gave an overview of the risk management annual report, summarising the main developments made by the risk management team in respect of policies and procedures, developing the risk register and strengthening the alert and monitoring mechanisms through the management line.

16.3.2 Ms Bennett advised the Committee that the Risk Team were proposing linking the risk register to the clinical standards of care and corporate objectives to make it more meaningful. Dr Winstanley supported the proposed changes.

16.3.3 Mr Egan expressed concerns that Health and Safety representatives did not have access to DATIX and had not been included in the walk arounds. Ms Bennett assured the Committee that the walk arounds would be reviewed in the near future.

16.3.4 The Committee accepted the report provided as a source of assurance to support the Statement on Internal Control.. .

Ms Bennett left the meeting

- 16.4 2010/11 Annual Report from the Information Governance Assurance Group - the previously circulated report to provide the Committee with the annual report in respect of the Information Governance Assurance Group, so as to provide a source of assurance with respect to the Statement on Internal Control was received.
- 16.4.1 The Committee questioned whether there was staff governance or partnership representation on the Information Governance Assurance Group. Members also requested clarification in respect of the links between the Information Governance Assurance Group and the Healthcare Governance and Risk Management Committee. Mr Payne would pick these issues up out with the meeting.
- 16.4.2 The Committee accepted the report provided as a source of assurance to support the Statement on Internal Control. .
- 16.5 2010/11 Summary Assurance Report on Best Value – the report to brief the Committee on how NHS Lothian progresses the duty of Best Value was received. It was agreed that future versions of the report should give more detail on the elements of the Staff Governance Standard.
- 16.5.1 The Committee accepted the report provided as a source of assurance to support the Statement on Internal Control. .
- 16.6 Lothian NHS Board Annual Report of the Chair of the Operational Audit Sub-Committee Period Ending 31 March 2011 - the previously circulated report to provide the Committee with the annual report of the Operational Audit Sub-Committee was received.
- 16.6.1 The Committee accepted the report provided as a source of assurance to support the Statement on Internal Control.
- 16.7 NSS Service Audit Reports 2010/11
- 16.7.1 Mrs Goldsmith introduced the NSS Service Report 2011 in respect of Practitioner Services Division, National IT Services and Financial Services.
- 16.7.2 Ms Woolman advised that Audit Scotland received a statement of assurances from the external auditor for NSS which provided the required assurances.
- 16.7.3 The Committee acknowledged the unqualified opinions from the service auditors for the three areas and accepted these as a source of assurance in respect of the Board's systems of internal control.
- 16.9 SFR 18.0 – Summary of Losses and Payments for the Year Ended 31 March 2011 – the previously circulated report to provide the Committee with an opportunity to review the summary of losses and compensations payments incurred throughout 2011 was received.

AP

- 16.9.1 Mr Woods identified errors in paragraphs 3.2 and 3.5, and noted that the appendix was incomplete. It was agreed that the revised appendix would be circulated with the minutes. **SG**
- 16.9.2 The Committee discussed processes in place for collection of payment from overseas visitors. As well as being discussed recently by the Counter Fraud Action Group, Mrs Goldsmith advised the Committee that this item was on the Executive Management Team agenda. She agreed to feedback any progress to the Committee. **SG**
- 16.9.3 The Committee noted the paper.
- 16.10 Formal Consideration of Resources Available to the Committee - the Committee agreed that the resources made available to the Committee (e.g. through audit days and supplementary support) had been adequate for the Committee to discharge its functions.
- 16.10.1 However the Committee acknowledged that the Board will have 7 or 8 new members next year, and this will have a bearing on the membership of the Audit Committee. It was agreed that there needed to be succession plans in place to ensure that the Committee continued to have the necessary skill set within its membership. **SGR/ AP**
- 17. Annual Accounts**
- 17.1 Statement on Internal Control - a previously circulated paper, together with the draft letter Statement on Internal Control was received.
- 17.1.1 Mr Martin spoke to the Statement on Internal Control and the Committee noted the arrangements put in place to support the statement.
- 17.1.2 Following its review of the draft Statement on Internal Control, the Committee agreed to support the Statement and recommend to the Board that, subject to minor correction in relation to Mutuality and Equality Committee, the letter be signed by the Chief Executive on its behalf. **BM**
- 17.2 Representation Letter - the Committee received a previously circulated report, together with a draft Letter of Representation to the External Auditors.
- 17.2.1 Following discussion, it was agreed that the statement properly represented confirmation to the External Auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2011, and to recommend to the Board that the letter be adopted subject to minor amendments in respect of identified drafting errors. **SG**
- 17.2.2 Mrs Goldsmith assured the External Auditors that she supported the statements within the letter of representation.

- 17.3 External Audit - Lothian NHS Board - Report to those charged with Governance on the 2010/11 Audit - a previously circulated report to those charged with governance on the 2010/11 Audit was received.
- 17.3.1 Ms Woolman spoke to the report highlighting preparative work, matters arising, outcomes and that the audit opinion was unqualified.
- 17.3.2 The Committee agreed to accept the report subject to the minor amendments to paragraph 8 and 12.
- 17.4 Annual Accounts for the Year ended 31 March 2011 - the Committee received the annual accounts for 2010/11 and proceeded to scrutinise each page of the accounts in detail.
- 17.4.2 Following a detailed consideration of the annual accounts for 2010/11, a number of minor amendments to the annual accounts were agreed, areas for further clarification and minor amendments to Board members details. Subject to these amendments, the Committee agreed to recommend to Lothian NHS Board that it approve and adopt the annual accounts for year ended 31 March 2011.

Professor Barbour, Mr Peacock and Mr Egan left the meeting.

- 17.5 NHS Lothian, Audit Committee Annual Report from the Chair – Year Ending 31 March 2011 – the Committee approved the previously circulated NHS Lothian, Audit Committee Annual Report from the Chair – Year Ending 31 March 2011.
- 17.6 Lothian NHS Board Audit Committee – 2010/11 Notification to the Health & Wellbeing Audit Committee – the previously circulated letter and attached action plan was received.
- 107.6.1 The Committee agreed to approve the letter subject to the minor amendments suggested by Mr Woods in relation to recent fraud cases.

18. Any Other Competent Business

- 18.1 The Committee noted that there were no other items of competent business.

19. Date of Next Meeting

- 19.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 11 October 2011 at 9.00am in Waverley Gate, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Tuesday, 11 October 2011 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mrs T Douglas, Mr E Egan; Professor P Murray; Mr B Peacock and Mr S Renwick (in the Chair).

In Attendance: Ms A Cummings (PhD Student); Mrs S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D McConnell (External Auditor - Audit Scotland); Mr D Miller (General Manager, Primary Care Contracts); Mr M Pearson (Director of Operations); Mr A Perston (External Auditor - Audit Scotland); Ms H Russell (External Auditor - Audit Scotland); Mr D Woods (Chief Internal Auditor); Dr C J Winstanley (Chairman); Ms G Woolman (External Auditor - Audit Scotland); Mr A Payne (Corporate Governance & Value-for-Money Manager) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr Boyter.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

20. Minutes of the Previous Meeting

20.1 Minutes of the Previous Meeting held on 21 June 2011 – previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 21 June 2011 were approved as a correct record subject to correction of the following minor typographical error;

- Item 13.1.2 - Scottish Futures Trust.

21. Matters Arising

21.2 Running Action Note as at 6 October 2011 – the Committee noted the previously circulated paper detailing the matters arising from previous Audit Committee meetings, together with the action taken and the outcomes.

21.2.1 Mr Payne gave a brief overview of the action note specifically advising on the progress on the actions in relation to fictitious pension payments, compliance with policies & procedures, and patient exemption checking.

In reply to a question from Mr Egan regarding the progress of the previously discussed Maternity Medical Services Mr Miller advised the Committee that work with Short-life Working Group tasked locally to review this service and make recommendations for consideration locally and nationally was ongoing.

21.3 The Chair advised the Committee that he and Professor Murray would collaborate to bring forward a recommendation to the Board that the remit of the Audit Committee be expanded to include risk.

21.3.1 In response to Mr Egan's concerns Professor Murray assured the Committee that clinical risk would remain within the remit of the Healthcare Governance and Risk Management Committee and that adding risk to the remit of the Audit Committee would be an additional layer of assurance. The Committee requested that the proposal be considered by both the Audit and Healthcare Governance and Risk Management Committees before it is presented to the Board.

22. Operational Audit Sub-Committee

22.1 Minutes of the Operational Audit Sub-Committee held on 30 May 2011 – the Committee noted the previously circulated minutes of the meeting of the Operational Audit Sub-Committee held on 30 May 2011.

22.1.1 The Chair flagged the internal audit report on Death in Hospital as a timely reminder of the importance of a robust communication interface with General Practitioners and the Scottish Ambulance Service.

22.1.2 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meeting held on 30 May 2011.

22.2 Update on the Operational Audit Sub-Committee held on 27 September 2011 – the Chair advised the Committee that the 27 September 2011 meeting of the Operational Audit Sub-Committee had focused on Primary Care and verification of payments to independent contractors. He highlighted the recent Audit Scotland review of Community Health Partnerships and reminded colleagues to be vigilant following the disbandment of the Primary and Community Partnership Committee.

22.2.1 In response to the Committee's concerns surrounding influencing national contracts, Mr Miller advised that following discussions with the Cabinet Secretary there may be an opportunity to contribute to the development of a Scottish approach or element

23. Orthodontic Investigation, Payment Verification and Clinical Governance

23.1 Mr Miller gave a detailed overview of the recent orthodontic case highlighting the lessons learnt and the Board's ability to ensure that the incident was not

repeated. Future work would focus on monitoring the level of spend and development and implementation of the payment verification matrix.

- 23.2 Mr Egan raised significant concerns in relation to breaches of the Staff Governance Standard in this case, and advised the Committee that he intended to explore it further at the Staff Governance Committee.
- 23.3 Members agreed that Mr Miller's recent paper to the Operational Audit Sub-Committee should be circulated to the Committee as a source of assurance in relation to all independent contractors. **LB**
- 23.4 The Committee agreed that the Director of Finance should write to the Chief Dental Officer for Scotland, highlighting the Committee's concerns that the current payment verification system for Orthodontists was not fit for purpose and open to fraud, and that the letter should highlight the necessary qualities of a revised system. **SG**
- 23.5 Ms Woolman welcomed the Committee's proactive approach and readiness to escalate these issues to Government level, before reflecting on the importance of early education and preventative measures to ensure a change in attitude within the independent contractors.

Mr Miller left the meeting.

24. Linkages with Other Board Committees

- 24.1 Finance & Performance Review Committee - Minutes of the Meetings held on 8 June and 17 August 2011 - the previously circulated minutes of the Finance & Performance Review Committee meeting held on the 8 June and 17 August 2011 were received.
- 24.2 Healthcare Governance & Risk Management Committee - Minutes of the Meeting held 7 June and 2 August 2011 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on the 7 June and 2 August 2011 were received.
- 24.2.1 Mr Egan reiterated concerns that he had observed significant gaps in the communication of risk to the Chair of the Healthcare Governance and Risk Management Committee. He proposed that an audit of the systems in place was required to identify where the gaps lay and how the lines of communication could be strengthened.
- 24.2.2 Dr Winstanley highlighted the impending shift within the prison service and health responsibilities that would transfer to NHS Lothian; he also proposed an internal audit of the service. The Chair agreed that the topic should be considered when the coming year's audit plan is being drafted.
- 24.2.3 The Committee noted the Healthcare Governance and Risk Management Committee minutes of 7 June and 2 August 2011 and the information therein.

24.3 Staff Governance Committee - Minutes of the Meeting held 30 March 2011 - the previously circulated Minutes of the Staff Governance Committee meeting held on the 30 March 2011 were received.

24.3.1 Following Mr Egan's concerns surrounding the lack of funds for retirement awards, Celebrating Success and monies donated at ward level, Ms Goldsmith advised that Dr Farquharson and Ms Hornett had written to all Consultants and Charge Nurses concerning the security of funds received at ward level, following instances of cash going missing. The receipt of cash on wards was suggested as a possible future audit topic.

24.3.2 Dr Winstanley advised the Committee that holding monies for staff benefits was not within the remit of the Foundation. The Trustees had taken a view that supporting the Celebrating Success awards would ultimately benefit patients through promoting a positive working environment and increasing morale. He expressed the importance of recognising the difference between donations to ward level specific funds that are governed by the charity, and the separate issue of staff benefits funds.

25. Internal Audit Reports

25.1 Internal Audit – Progress Report September 2011

25.1.1 Mr Woods gave a brief overview of progress with the audit plan, and highlighted recent fraud activity detailed within the report. The Committee noted the unsuccessful outcome in relation to the appeal about auditors' job gradings and the impending final appeal process.

25.1.2 Mr Woods advised that a recent FOI request from a journalist had led to 17 internal audit reports being made available. Subsequent debate about the format and style of audit reports has led to a new process whereby the Director of Communications and the Director of Human Resources & Organisational Development are to be copied with all draft and final internal audit reports. Mr Woods pointed out the need to bear in mind the Standing Orders which state Internal Audit's right to perform work and issue reports free from interference, including issuing reports without obtaining approval from directors or senior managers. Also, Mr Woods mentioned the Government Internal Audit Standards' insistence on Internal Audit's independence. Mr Woods added that no cause for concern has arisen, but he considered it appropriate to brief the Committee. The Chair advised that he had discussed the matter with the Director of Communications, and the new process would in no way interfere with Internal Audit's right to produce independent reports. The Chair confirmed that Internal Audit's independence as set out in the Standing Orders would not be affected.

25.1.3 Professor Murray queried whether the Freedom of Information request report had been notified to the relevant Directors. Ms Goldsmith reported that the issue had been raised at Directors Informal and EMT meetings. Directors would be informed as early as possible of any expected newspaper articles.

25.1.4 The Committee noted that the issue surrounding the certification of property transactions now appears to have been resolved and that Ms Goldsmith had proposed using the Deaconess House transaction as an example of good practice.

25.1.5 The Committee noted the previously circulated Internal Audit Progress Report September 2011 and the assurances therein.

25.2 Counter Fraud Services Quarterly Report – June 2011

25.2.1 Mr Woods presented the Counter Fraud Services quarterly report underlining Operations GENOME and LUMEN from NHS Lothian. Also, Mr Woods noted the new format of the report which now includes statistics about fraud cases. Mr Woods advised that figures and analysis specific to NHS Lothian are presented to the Operational Audit Sub-Committee, Counter Fraud Action Group and Executive Management Team, and commented that analysis of NHS Lothian's fraud cases mirrored the NHS Scotland figures set out in CFS's report.

25.2.2 The Chair advised the Committee that the Operational Audit Sub-Committee had received a specific report on fraud cases associated with staff working whilst on sickness absence. The report had been produced following a request for the Counter Fraud Action Group to identify fraud themes. The report has been referred to the Staff Governance Committee.

25.2.3 The Committee agreed to accept the CFS Quarterly Report – June 2011.

25.3 Fraud Intelligence Alerts

25.3.1 The Committee noted the previously circulated Counter Fraud Services intelligence alert, reference number 08/2011, which referred to a non-presented cheque fraud.

25.3.2 Mr Woods reassured the Committee that the alert had been raised with the relevant senior managers within NHS Lothian.

25.3.3 Members were advised that an alert in respect of misuse of uniforms had been received from another anti-fraud organisation and circulated to the appropriate responsible Directors.

26. **External Audit Reports**

26.1 2010/11 Quality Report – Report on the Quality Arrangements in Audit Scotland for the year ended 31 March 2011 - the previously circulated report on 2010/11 Quality Report – Report on the Quality Arrangements in Audit Scotland for the year ended 31 March 2011 from Ms Woolman for information was received.

26.1.1 Ms Douglas questioned what role Audit Scotland would have in assisting the Community Health Partnerships with the Best Value toolkits and processes.

In response Ms Woolman advised that this was being progressed by management, as had been set out in the action plan to the external audit annual report.

26.1.2 In response to Mr Egan's query about overview reports Ms Woolman reported that Audit Scotland colleagues continued to strive to get the message out concerning shared services.

26.1.3 The Members were assured that Audit Scotland's systems and process complied with professional standards.

26.1.4 The Committee agreed to accept the report.

26.2 NHS Lothian – 2010/11 Audit eHealth Service Delivery – the previously circulated report on the 2010/11 Audit of eHealth Service Delivery from Ms Woolman was received.

26.2.1 Ms Woolman took the Committee through the details of the report highlighting the scope of the audit outlined in paragraph 4 and the actions that followed. The Chair thanked Ms Woolman for the helpful overview and asked that the report be brought to the next Operational Audit Sub-Committee.

AP

26.2.2 The Committee agreed to accept the report.

26.3 NHS Lothian – Annual Report on the 2010/11 Audit – the previously circulated report on the NHS Lothian Annual Report on the 2010/11 Audit from Ms Woolman was received.

26.3.1 Ms Woolman took the Members through each page of the NHS Lothian Annual Report on the 2010/11 Audit highlighting the key messages within, the achievement of the financial targets for 2010/11 and the decision taken by Audit Scotland to issue an unqualified opinion.

26.3.2 The Committee noted that the report had not yet been presented to the Lothian NHS Board, as had been the case in previous years. Members agreed that a copy of the report should be forwarded to Mr Wilson, Director of Communications prior to its circulation.

AP

26.3.3 In response to Dr Winstanley's question Ms Woolman and her colleagues advised that the review of staff earning over £100,000 had been an exceptional case requested by the Cabinet Secretary. Following a short discussion surrounding the response times Ms Goldsmith advised that there had been some confusion in respect of the sample size and in future these crucial details should be explicit to ensure that delays were not incurred later.

26.3.4 Ms Woolman acknowledged the development of guidance in respect of heritage assets, the wider issue surrounding consolidation of the accounts and the potential challenges of consolidating the accounts of the Edinburgh & Lothians Health Foundation.

27. General Corporate Governance

27.1 Royal Hospital for Sick Children/ Department for Clinical Neurosciences – Ms Goldsmith gave detailed verbal update highlighting that the main areas of risk were associated with the project: Project governance; the role of the Scottish Futures Trust; NHS Lothian's role as the sovereign accountable body for the project; duplication of work; multiple fees and protection of clinical dependencies throughout the process. She then opened the conversation to the members present.

27.1.1 Members agreed that they needed further assurance in respect of the following risks:

- Consort and securing the land to build the additional car park and the Royal Hospital for Sick Children/ Department of Clinical Neurosciences.
- Accountability of the Scottish Futures Trust, NHS Lothian and the Scottish Government and the associated reputational and political risks.
- The decision making process currently in place including a clear audit trail of decisions taken.
- Additional support for lead Directors during the term of the project.
- That the Board had explored all PFI opportunities prior to going ahead with the new build.
- That funding could be secured given the current financial climate.
- That during the transitory period clinical risk was monitored closely. Particular assurance regarding the hand over period and the fact that the RHSC was a tertiary site was required.
- Ensuring that the timetable and programmes remain on track and were not delayed.

27.1.2 Ms Goldsmith explained that a recently received PricewaterhouseCoopers report had highlighted a number of areas to address including project resources, duplication of advisors, whether the Board was confident that the advisors appointment were Private-Public Partnership proficient and clarification of roles and responsibilities of the Scottish Futures Trust and NHS Lothian. Members agreed that assurance should be sought from the Project Board in respect of their response to the report.

SG

27.1.3 The Committee were reassured that the reporting lines between the Project Board and the Finance and Performance Review Committee had been formalised.

27.1.4 Ms Goldsmith agreed to bring forward a Board paper addressing the Committees concerns, and clearly expressing the key risks for the Board associated with the Project. This would be brought to a future private session of the Board.

SG

27.2 Audit Scotland Technical Bulletin – the previously circulated report to brief the members on the latest releases from Audit Scotland 2011/2 dated June 2011 and 2011/3 dated September 2011 was received.

- 27.2.1 Mr Martin gave a brief overview of the report highlighting:
- The potential conflict of the consolidation of the Endowment Funds and the production of the 2013/14 annual account; he reassured the Committee that a separate set of accounts would remain to be produced for the Endowment Funds.
 - That he had shared the insert into the Finance manual with regard to severance schemes with the Director of Workforce Planning to ensure that the required action was taken forward.
- 27.2.2 The Committee noted the relevant highlights of the technical bulletin detailed within the report.
- 27.3 Overseas Patients – the Committee received the report that provided an update on the arrangements to recover income from liable overseas patients for the provision of clinical care.
- 27.3.1 The Director of Finance updated the Committee of the current position in respect of arrangements for overseas patients, the challenges that staff were facing and that a further Private & Overseas Patient Officer was being recruited.
- 27.3.2 In response to Dr Winstanley’s question the Chair advised that the General Practitioners had been approached however they were not willing to take on the responsibility of being gatekeepers to services. It was noted that this decision was supported by the British Medical Association.
- 27.4 SFR 18 Paper – The Committee noted the previously circulated report that provided an opportunity to review the summary of losses and compensation payments incurred throughout 2010/11 and information therein.
- 27.5 Follow Up of Audit Recommendations – Mr Payne briefed the Committee on the 6 month update in relation to the current status of the follow up process as requested at the 12 April 2011 meeting. From the figures in the report, Mr Woods noted that 92% of management actions are not being completed by agreed target dates (10% are up to 2 months late, 44% between 2 months and one year late, and 38% more than one year late).
- 27.5.1 Following a brief discussion the Committee agreed that a report should be brought back in 6 months, in the meantime these actions would continue to be pursued through the follow-up process. If a significant change in the response rate had not occurred it was agreed that a letter would be drafted to the Chief Executive highlighting the Committee’s concerns.

28. Any Other Competent Business

- 28.1 The Committee noted that there were no other items of competent business.

29. Date of Next Meeting

- 99.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Tuesday, 13 December 2011 at 9.00am in Waverley Gate, Edinburgh.

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Tuesday 28 February 2012 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr S Renwick (in the Chair); Mr E Egan; Professor P Murray and Mrs T Douglas.

In Attendance: Ms J Bennett (Clinical Governance Manager) (attended for item 26.3); Professor J J Barbour (Chief Executive); Mrs S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting & Corporate Governance); Mr A Boyter (Director of Human Resources and Organisational Development); Mr A Perston (External Auditor - Audit Scotland); Mr D McConnell (External Auditor - Audit Scotland); Mr D Woods (Chief Internal Auditor); Dr C J Winstanley (Chairman); Mr A Payne (Corporate Governance & Value-for-Money Manager); and Mrs E O'Connor (Committee Administrator).

Apologies for absence were received from Mr B Peacock.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. The Chair, as a new employee of the City of Edinburgh Council, declared an interest in shared services contracts and the transfer of Catering staff from the Council to the Board vis catering for the Sick Children's Hospital.

20. Minutes of the Previous Meeting

- 20.1 Minutes of the Previous Meeting held on 11 October 2011 – previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 11 October 2011 were approved as a correct record.
- 20.2 Update on the Previous Meetings held on 31 January 2012 and 21 February 2012 – The Chair gave a verbal update on discussion at the previous meetings held on 31 January 2012 and 21 February 2012. He informed the Committee that following the report by Dr David Farquharson to the Scottish Government on waiting times, the Board, through the Audit Committee, had commissioned PricewaterhouseCoopers (PWC) to conduct an audit on waiting times on 6 February 2012. A verbal report from PWC was given to the Board Review Group on 17 February 2012 with a summary of early themes. A letter was then received on 20 February 2012 from the Scottish Government stating that the audit should be carried out by the Scottish Government (as distinct from Lothian NHS Board). This was considered on 21 February by the Audit Committee and on 22 February 2012, it was agreed by the Board that NHS Lothian's contract with PWC should be terminated. The Chair added that

PWC had advised that, in line with usual practice, PWC would retain the unattributable material already gathered, but not share it with any third party (including the Board or the Scottish Government). The Committee's opinion is that the full findings from the review to be conducted by PWC on behalf of the Scottish Government should be made available to the Board whether in draft or final form.

- 20.2.1 The Chair highlighted the strong sense of commitment from the Board to maintain the internal efforts towards achieving waiting times targets. He highlighted that management actions originally identified as a consequence of Dr Farquharson's report were progressing in order to ensure waiting times systems in NHS Lothian were fit for purpose. The Board's Special Review Group was monitoring the progress.
- 20.2.2 Members raised concerns regarding a potential conflict of interest for a member of PWC's review team – allegedly, while working on the audit for PWC, the team member was also employed by the Scottish Government in a function relating to waiting times management.
- 20.2.3 Mr Egan referred to the work of the Special Review Group of the Board and reported that an internal investigation was being taken forward to provide assurance that internal reporting to the Board was consistent. Mr Boyter and Mr Egan have agreed the terms of reference of the internal investigation and managers had been informed. The investigation would be taken forward with trade unions. This investigation is scheduled to conclude on 30 March 2012. Mr Boyter highlighted that this had been discussed with the Scottish Government and that this had been agreed as the appropriate way forward.
- 20.4 The Chair commented that this issue had been handled with diligence, transparency and rigour. He suggested that the lessons learnt from this incident should be discussed at the next meeting. Mr Martin added that this incident would need to be reflected through the Governance Statement which accompanies the Board's annual accounts. Professor Barbour added that the reporting of waiting times data has been consistent across governance committees, with executive directors reporting figures as presented to them and understood by them. The Committee acknowledged this position.

21. Matters Arising

- 21.1 Matters Arising from the Meeting of 11 October 2011 – the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 11 October 2011, together with the action taken and the outcomes.
 - 21.1.1 Mr Payne gave a brief overview of the action note. Professor Murray referred to the concerns raised at the previous meeting regarding the gaps in the communication of risk to the Chair of the Healthcare Governance and Risk Management Committee. Professor Murray reported that this risk was now on the corporate risk register. Dr Winstanley suggested that the key points of this risk should be highlighted and broken down with information on how the risk would impact the Board.

21.1.2 Mr Payne reported that the new risk management policy and procedure were currently out for consultation and would be presented to the Healthcare Governance and Risk Management Committee for approval. Workshops to educate staff on the new policy and procedure had been delivered.

21.1.3 Mrs Goldsmith advised the Committee that discussions were ongoing on the transfer of the staff lottery from the Board. It was agreed that there should be a deadline of 31 May 2012 for the transfer to take place.

SG

21.1.4 Mr Payne updated the Committee on the format of the annual committee reports, which would now have a "statement of assurance need". He confirmed that the authors of all Committee annual reports had been given the same timescale for completion.

21.1.5 The Committee discussed the Royal Hospital for Sick Children/ Department for Clinical Neurosciences project and joint working with the Scottish Futures Trust. The discussion highlighted concerns that the Chief Executive of the Scottish Futures Trust had been in discussions with a General Manager from Consort without a Board representative being present. The Committee agreed that this was unacceptable and the Board should seek legal advice from the Central Legal Office (CLO).

SG

22. Operational Audit Sub-Committee

22.1 Minutes of the Operational Audit Sub-Committee held on 26 September 2011 – the Committee noted the previously circulated minutes of the meeting of the Operational Audit Sub-Committee held on 26 September 2011.

22.1.1 With regards to Business Continuity (158.4 of the minute), Mr Egan reported that conflicting information had been reported to the Healthcare Governance and Risk Management Committee in February, where it was noted that the Business Continuity Workshop had been cancelled due to a lack of staff engagement. It was agreed that an update on business continuity should be requested from Professor McMahon.

AMcM

22.1.2 The Chair highlighted that the Operational Audit Sub-Committee had requested more localised data and performance monitoring for dental services, community pharmacy and ophthalmic services.

22.1.3 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meeting held on 26 September 2011.

22.2 Minutes of the Operational Audit Sub-Committee held on 28 November 2011 - the Committee noted the previously circulated minutes of the meeting of the Operational Audit Sub-Committee held on 28 November 2011.

22.2.1 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meeting held on 28 November 2011.

23. Linkages with Other Board Committees

23.1 Finance & Performance Review Committee – Minutes of the Meetings held on 13 September, 12 October, & 14 December 2011

23.1.1 Mr Egan referred to the minutes of the 13 September meeting and pointed out that the City of Edinburgh council's fuel department would not now be privatised. Professor Murray also clarified that the Local Reinvestment Plan in Pharmacy referred to in the minutes should read Local Reinvestment Plan in Medicine.

23.1.2 The Committee noted the Finance and Performance Review Committee minutes of 13 September, 12 October, & 14 December 2011 and the information therein.

23.2 Healthcare Governance & Risk Management Committee – Minutes of the Meetings held on 4 October & 15 December 2011

23.2.1 Mr Egan advised the Committee of a possible governance risk within the prison service – healthcare staff had been reported to be carrying out duties that they were not qualified for. Professor Murray advised that a full report on the prison service was on the agenda for the next meeting of the Healthcare Governance and Risk Management Committee in April. Professor Barbour explained that David Small was preparing a paper to the Executive Management Team (EMT) on all policies linked to prison healthcare that would need further scrutiny. It was noted that there had been an increase in complaints from prisoners.

23.2.2 Mr Woods drew attention to a comment made by the Director of Public Health & Health Policy regarding conduct of the Business Continuity audit. Mr Woods advised that the audit report was issued in July 2011, while the Director of Public Health & Health Policy had been referring to an issue raised by her team in October 2011 about problems uploading information to a database used by the Business Continuity team. As such, the comment recorded in the minutes did not relate directly to the internal audit.

23.2.3 The Committee noted the Healthcare Governance & Risk Management Committee Minutes of the Meetings held on 4 October & 15 December 2011 and the information therein.

23.3 Staff Governance Committee – Minutes of the Meetings held on 29 June, 31 August & 22 December 2011

23.3.1 Mr Boyter drew attention to the eKSF update – he highlighted that the target of 80% of staff having been on eKSF by March 2011 had not been met, however the target had been achieved by the end of May 2011.

23.3.2 The Committee noted the Staff Governance Committee Minutes of the Meetings held on 29 June, 31 August & 22 December 2011 and the information therein.

24. Internal Audit

24.1 Internal Audit Progress Report (January 2012)

24.1.1 Mr Woods spoke to the Internal Audit Progress Report (January 2012). He went through the report and highlighted that 4 final reports had been issued since the last Operational Audit Sub Committee. He also gave a verbal update on counter fraud. There followed some discussion on the staff nurse who had continued to work as a registered nurse despite letting her Nursing and Midwifery Council (NMC) registration lapse. The Committee noted that there was a framework in place to monitor registration, but in this case the nurse had falsified documents. Members remained concerned that this could happen and wondered whether this should have been detected earlier. It was agreed that Mr Boyter would liaise with Mrs Hornett and bring a paper back to the Committee on the present arrangements.

AB

24.2 Draft Internal Audit Plan 2012/13

24.2.1 Mr Woods presented the Draft Internal Audit Plan 2012/13. He explained that the Audit Universe was listed in appendix 1, where all potential audits were laid out, with dates and opinions of the latest reports and indicating when the next audit would take place. Audits were risk rated as high medium or low. Appendix 2 detailed the mapping of the Audit Universe against the corporate risk register. The Committee supported the Draft Internal Audit Plan 2012/13 and commented that the plan was sensible and pragmatic. In response to a question from Mrs Douglas, Mr Woods explained that audits of CHP Governance, Change Fund and Prison Service were not included in the plan as structures within those areas were subject to change, but audits would be considered once frameworks had stabilised.

24.2.2 There followed some discussion on the integration of health and social care and members noted that work was being taken forward on this. Dr Winstanley questioned whether the CHCP model would only be used for older people's services or applied across other areas too.

24.2.3 The Committee approved the Draft Internal Audit Plan 2012/13.

24.3 CFS Intelligence Alerts

24.3.1 The Committee noted the circulated intelligence alerts issued by Counter Fraud Services.

24.4 CFS Quarterly Reports – September & December 2011

24.4.1 Mr Woods presented the CFS Quarterly Reports – September & December 2011. The Committee noted that CFS reported an increase in referrals

regarding non-clinical staff. Committee members questioned the appropriateness of CFS quoting staff members' names following criminal convictions or professional sanctions. Mr Boyter reassured the Committee that NHS Lothian has regular contact with Lothian and Borders Police in relation to intelligence gathering. Professor Barbour commented that the most prevalent type of referrals to CFS continued to be overseas visitors.

25. External Audit

25.1 Priorities & Risks Framework (November 2011)

25.1.1 Mr McConnell introduced the Priorities & Risks Framework (November 2011). The report identified the areas seen as key risks and indicated the mitigation Boards may wish to put in place.

25.2 Review of Internal Audit 2011/12

25.2.1 Mr Perston explained that Internal Audit uses a risk based approach when developing the audit plan, with appropriate documentation standards and reporting procedures. In 2011/12, Audit Scotland would place formal reliance on the General Ledger & eFinancials audit. There would also be reliance on annual stock-taking work. Mr Perston concluded that Internal Audit operates in accordance with Government Internal Audit Standards. The Chair suggested that the reference in Audit Scotland's letter to NHS Borders should be removed as not being relevant for NHS Lothian's purposes.

26. Corporate Governance

26.1 NHS Scotland National Shared Services and Move to National Single Instance

26.1.1 Mrs Goldsmith spoke to the report to inform the Committee on the progress of the National Financial Shared Support Services Programme (NSSS), changes in the NSS consortium and the move to a National Single Instance (NSI). She reported that procurement would now be a part of the NSSS. In relation to the NSS Consortium, it was noted that Robert Stewart, Director of NHS24 had been appointed as Consortium Chair and David King, Head of Finance for NHS Lothian would be the consortium lead. At the national meeting, the Health Board Directors of Finance agreed to move to a NSI of the CEDAR eFinancial Ledger System. NHS Scotland would be using one updated version of the current ledger system. Dr Winstanley emphasised the requirement for NHS Lothian to have sovereignty over financial information. He reported that this should be considered in more detail before the NSI was taken forward. The Chair reported that this could be raised at the Operational Audit Sub Committee. **SGR**

26.1.2 The Committee noted the changes of services classified as 'in scope' to include Procurement, the change in key personnel in the NSS consortium and the decision by Health Board Directors of Finance to move to a NSI.

26.2 Write-Off of Bad Debt

26.2.1 Mrs Goldsmith advised that this case involved an overseas patient who had been admitted as an emergency to the Royal Infirmary of Edinburgh following a stroke. The patient was unable to pay due to financial hardship.

26.2.2 The Committee approved the request to write to the Scottish Government for approval to write off debt of £44,808. There was some discussion around the following statement in the paper: “the Board is required to treat patients with an urgent clinical need regardless of their ability to pay”. It was noted that there would be a point in the patient’s treatment that was no longer an urgent clinical need. The Committee noted the challenges in finding the right balance between urgent clinical care and continuing clinical care. The Committee commented that the template checklist from the Scottish Government asked for some information that would be inappropriate to provide.

26.3 Corporate Risk Register

26.3.1 Mrs Bennett presented the corporate risk register July –September 2011. She explained that the risk policy was out for consultation and would go to the April Healthcare Governance and Risk Management Committee for approval. Risk register workshops had been taking place across the acute division, primary care and hosted services. A corporate workshop was planned for 29 February 2012.

26.3.2 Mr Egan raised concern that actions were not always followed up once they had been added to the risk register. There were also a number of risks that were not listed on the risk register - he highlighted recent issues with health and safety and waiting times. Mrs Bennett reported that a revised risk register which would come to the October Audit Committee. The report to the October meeting would have more information on each risk, including the impact of the risk and ways to mitigate the risk. Dr Winstanley commented that the new section on the board report template should also provide further information on risks and ways to mitigate any risks. There were concerns regarding the escalation policy and the communication of risk to Board members.

26.4 Audit Scotland: Overview of the NHS in Scotland’s Performance 2010/11

26.4.1 Mr Martin summarised the key information in the report. Appendix 1 demonstrated the financial performance of NHS bodies 2010/2011. It was noted that of the leading Health Boards in Scotland, NHS Lothian had the highest percentage of GP outpatient referrals managed electronically.

26.5 Technical Brief

26.5.1 Mr Martin drew attention to the recent transfer of detailed information to individual Boards, and reported that effectively NHS Lothian was acquiring prior period net liabilities of publicly owned and private prison services relating to Saughton (Edinburgh) and Addiewell (West Lothian). The entries required would have an effect of a £0.5million reduction in the Board’s general fund as at 1 April 2012. The Committee agreed that this should be clarified by the

Scottish Government. This issue should also be referred to the Finance and Performance Review Committee.

SG

26.5.2 Dr Winstanley asked about other ways the Board could demonstrate sustainability and reported that there had been a proposal to use local produce at St John's Hospital. It was agreed that Mr Martin and Mrs Goldsmith would look into this and consider other areas in which the Board could demonstrate sustainability. Committee members asked about the situation in enhanced services and in prisons. It was agreed that James Glover, Head of Equality and Diversity should be involved in discussion around sustainability.

26.5.3 Mr Martin explained that Health Boards would need to disclose the median earnings of the workforce and the ratio of the highest paid Director's earnings to the median earnings. The Committee noted that the highest paid Director's earnings were not necessarily those of the Chief Executive. Furthermore the highest paid employees in the Board may not actually be Board directors. Mr Martin advised that he was seeking clarification on what was to be disclosed, and the matter would be confirmed when the Annual Accounts Manual for 2011-2012. The Scottish Government Technical Accounting Group (TAG) must approve this Manual. Mr Boyter agreed to compile a list of the top 100 earners in NHS Lothian and report back to the Committee.

AB

26.6 Introduction of Governance Statement

26.6.1 Mr Payne introduced the report and explained the new Governance Statement which would replace the Statement on Internal Control in the accounts. He outlined the issues described in the report. It was agreed that the Audit Committee should receive details from the Chief Executive on the governance framework to discharge his Accountable Officer responsibilities. The Audit Committee would also receive summary information on what Executive Directors disclosed, with respect to any breaches of Standing Orders or Standing Financial Instructions or other significant control weaknesses or issues other than those to be disclosed within the Governance Statement. It was agreed that the Committee did not wish to receive summaries of reports by Healthcare Improvement Scotland or other external review bodies, as relevant reports are already considered by governance committees which provide assurances directly to the Audit Committee. Mr Payne explained that guidance on how to complete the governance statement was explained in annex B of the report.

26.7 Assessment of Compliance with UK Code of Corporate Governance

26.7.1 Mr Payne gave a brief overview of the report and explained how the Board complies with relevant aspects of the UK Code of Corporate Governance. Mr Egan pointed out that non executive board members could be appointed for more than four years and could serve more than two terms. It was noted that for NHS Lothian there was no "Senior Independent Director" as described in the Code.

26.7.2 The Committee accepted this paper as a source of assurance that arrangements are in place to comply with the relevant aspects of the UK Code of Corporate Governance.

27. Any Other Competent Business

27.1 There was none.

28. Date of Next Meeting: Thursday 5th April 2012

29. Dates of future meetings in 2012

- Tuesday 26th June 2012
- Tuesday 9th October 2012
- Tuesday 11th December 2012

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Thursday 5 April 2012 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Councillor P McLellan (in the Chair); Mr E Egan and Mr B Peacock.

In Attendance: Mrs J Bennett (Clinical Governance Manager) (attended for item 7.1); Professor J J Barbour (Chief Executive); Mr R Martin (Head of Corporate Reporting & Corporate Governance); Mr A Boyter (Director of Human Resources and Organisational Development); Mr A Perston (External Auditor - Audit Scotland); Mr D McConnell (External Auditor - Audit Scotland); Mr D Woods (Chief Internal Auditor); Mr A Payne (Corporate Governance & VFM Manager); Dr D Farquharson (Medical Director) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mrs Douglas, Professor Murray, Mr Wilson, Mrs Goldsmith and Ms Hollis.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

1. Minutes of the Previous Meeting

- 1.1 Minutes of the Previous Meeting held on 28 February 2012 – previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 28 February 2012 were approved as a correct record.

2. Matters Arising

- 2.1 Matters Arising from the Meeting of 28 February 2012 – the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 28 February 2012, together with the action taken and the outcomes.
- 2.1.1 Mr Payne gave a brief overview of the action note. Mr Egan referred to concerns raised at the previous meeting regarding NHS Lothian staff performing duties relating to maternity services under the Primary Medical Services Contract. Members agreed that these issues should be raised at the appropriate national forum and taken off the action list.
- 2.1.2 The Committee discussed the update on business continuity planning. The Committee highlighted concerns that there has been a poor uptake of business continuity training by managers, and that the understanding and

application of the Board's business continuity processes is not as it should be. The Medical Director agreed to present a paper to a future meeting of the Committee, setting out how the actions from the recent internal audit report on Business Continuity Planning have been progressed.

DF

2.2 Verification of Professional Registration – Dr Farquharson introduced the previously circulated report on the verification of professional registration, providing a detailed overview of the current appraisal process and proposed enhanced appraisals. He explained that all permanent employees, locums and trainees would be revalidated over the course of the 3-year rolling programme.

2.2.1 Mr Egan highlighted that whilst the overall number of registration lapses may be comparatively small, each case is in itself significant. Mr Egan was concerned that in 13% of the reported cases, the reason for why the lapse occurred had not been recorded, and was therefore unknown.

2.2.2 The Chair stated that the risk to the Board of an individual not being appropriately registered should be clearly articulated.

2.2.3 Mr Boyter assured members that NHS Lothian investigates every lapse in registration. He explained the process that Human Resources follows and the consequences employees may face if they are found to be in breach of contract. Mr Boyter agreed to provide a report to the Committee on the issue of liability of the Board for lapses in registration, as well as further clarity on the cases where the reasons for lapsing were not recorded.

AB

2.2.4 The Committee agreed to support the recommendations detailed within the report subject to the Medical Director providing an end date for when the roll out of a programme of random checks on staff regulated by GMC, GDC and HPC will be completed.

DF

Dr Farquharson left the meeting.

2.3 Top 100 Earners in NHS Lothian – Professor Barbour declared an interest in the report. He offered to withdraw from the meeting to allow the Committee to discuss the report in his absence. The Committee agreed that it was not necessary for Professor Barbour to leave.

2.3.1 Mr Boyter explained that the report had been submitted in response to a request from Mr Renwick regarding information the Board was required to declare within the annual accounts. Mr Martin confirmed that the ratio of the highest paid executive director against the median salary would be reported.

2.3.2 Mr Boyter advised that 99 of the Top 100 earners were doctors. This is attributable to a combination of payments which include basic salary, distinction awards and links to universities etc. He highlighted that the Board does have a number of employees of significant calibre who qualify for a higher level of remuneration.

- 2.3.2 Professor Barbour observed that as an organisation the Board has to demonstrate corporate responsibility, and the ratio of the highest and lowest earners is an important indicator in this regard, and that this could be a matter of interest for the Staff Governance Committee. Mr Boyter agreed to bring back a report on this matter for the next meeting.
- 2.3.3 Mr Boyter commented on the national terms and conditions in Scotland determined by Scottish Government compared to the freedom English NHS Trusts have to negotiate their own terms and conditions. Members recognised the potential impact that this may have on the recruitment of staff who may elect to go to an employer with better terms and conditions.
- 2.3.4 Mr Egan highlighted that the important issue for the Board to consider from a governance perspective is whether or not employees are being remunerated in a manner that is entirely consistent with the national terms and conditions of employment.
- 2.3.5 The Committee agreed to accept the report.

AB

3. Operational Audit Sub-Committee

- 3.1 Minutes of the Operational Audit Sub-Committee held on 30 January 2012– the Committee noted the previously circulated minutes of the meeting of the Operational Audit Sub-Committee held on 30 January 2012.
- 3.1.1 With regards to Mandatory Training (176.4.2 of the minute), Mr Egan reported that the minute did not clarify what was being done to resolve the unsatisfactory levels of attendance. Mr Boyter advised that he had been instructed to bring forward a report on the completion of mandatory training to the Executive Management Team and Staff Governance Committee.
- 3.1.2 Professor Barbour suggested that the Committee should use the appointment of Councillor McLellan as Chair as an opportunity to evaluate the relationship between the Committee and Operational Audit Sub-Committee, to be assured that governance and control issues are adequately identified and followed through to completion. Mr Woods commented on the benefits of having a single Chair for both Audit Committee and Operational Sub-Committee in terms of ensuring that linkages between the Committees were maintained. The Chair agreed to take these issues forward.
- 3.1.3 Mr Egan acknowledged that minutes do not communicate what happened next with an issue, and highlighted an example within the OASC minutes with regards to a particular CFS referral (177.1 bullet one of the minute). Mr Woods explained that in that instance he had been asked a question in the meeting which he could not definitively answer at the time, but confirmed that after the meeting he had promptly followed up the matter and addressed the question.

PM

4. Linkages with Other Board Committees

- 4.1 Finance & Performance Review Committee – Minutes of the Meeting held on 8 February 2012 – the Committee noted the previously circulated minutes of the Finance and Performance Review Committee meeting held on 8 February 2012.
- 4.2 Healthcare Governance & Risk Management Committee – Minutes of the Meeting held on 7 February 2012 – the Committee noted the previously circulated minutes of the Healthcare Governance and Risk Management Committee meeting held on 7 February 2012.
- 4.2.1 Mr Egan expressed concerns regarding issues being repeatedly raised at several Board Committees but not being assured that the issues are being subsequently systematically managed and closed down in a timely manner. He reminded colleagues of the importance of taking ownership of issues to ensure that actions were driven forward. Following a brief debate Members agreed to peruse the action notes of each committee that reports to it and escalate issues when necessary.
- 4.3 Staff Governance Committee – Minutes of the Meeting held on 29 February 2012 - the Committee noted the Staff Governance Committee Minutes of the Meetings held on 29 February 2012 and the information therein.

5. Internal Audit

- 5.1 Internal Audit Progress Report (March 2012)
- 5.1.1 Mr Woods presented the Internal Audit Progress Report (March 2012). He highlighted that 2 of the 3 final reports listed had been presented at the last Operational Audit Sub Committee; while the report on Private & Overseas Patients had been deferred. He also updated the Committee on recent counter fraud activity. There followed some discussion on the outcome of the Agenda for Change appeals which had concluded that auditors are correctly graded at Bands 5 and 6, Mr Woods highlighted that auditors within NHS Lothian are graded lower than other health boards, and mapping salaries against other public sector bodies shows that starting salaries for auditors at Band 6 are 22% below market rates. Mr Woods advised that this makes it very difficult to recruit and retain the necessary quality of staff. Nevertheless, Mr Woods assured the Committee that Internal Audit should still be able to complete the audit plan for next year, but with extra pressure placed upon the audit managers and no real contingency. Mr Woods advised that he would consider raising the problem when the Committee considers the resources available to it at their June meeting.
- 5.1.2 Councillor McLellan advised the Committee that they needed to be mindful of any risk to the Board of the internal audit plan not being delivered. However, he was assured by Mr Woods' statement that the team should have sufficient capacity to accomplish their duties outlined in the Internal Audit Plan 2012/13.
- 5.1.3 Mr Egan declared an interest in this issue as Employee Director, NHS Lothian. He reminded members that it was not within the gift of the Audit Committee to affect the outcome of Agenda for Change bandings determined

by nationally agreed principles. He advised the Committee that the application of Agenda for Change within NHS Lothian is robust and performed within required timelines, and is not influenced by the outcomes that may be produced by other Boards. He proposed that the internal audit report can validly mention capacity within the team but focus on the impact that this may have on the services provided to NHS Lothian and NHS Borders.

5.1.4 The Committee agreed to consider these issues in detail at the June meeting as part of the review of resources available to them.

5.1.5 In response to a query from Mr Peacock regarding the audit of Pool & Leased Cars, Mr Woods agreed to forward Mr Peacock a copy of the final report issued in March 2012.

DW

6. External Audit

6.1 NHS Lothian Annual Audit Plan 2011/12

6.1.1 Mr McConnell explained that the NHS Lothian Annual Audit Plan 2011/12 allowed Audit Scotland to sign off the financial statements 2011/12 and prepare the annual summary report in July 2012.

6.1.2 Professor Barbour observed that given the extensive coverage of recent incidents the Committee should reflect on the statements detailed in the report (paras 32 & 46), highlighting that the external auditors consider the Board's performance management systems and corporate governance and control arrangements to be sound and operating satisfactorily. It is important to recognise that any system of control can be compromised by rogue behaviour. Mr McConnell advised the Committee that Audit Scotland remained content to rely on these systems to inform the audit of the financial statements.

6.1.3 Mr Egan questioned the detail within the report surrounding the forecast for the Community Health Partnerships, explaining that the rules and regulations had not changed. Mr McConnell advised that the report was a working document that gave a flavour of what was happening within NHS Lothian. However it did not offer any insight into the decisions surrounding the future of the Community Health Partnerships.

Mrs Bennett entered the meeting.

6.1.4 Mr Egan expressed concerns in respect of the precision of the language used within the report to describe concerns surrounding the Royal Hospital for Sick Children Re-provisioning Project and Scottish Futures Trust.

6.1.5 Mr Egan commented that for the external audit annual plan to say "there is concern over the delivery of the project" is understating the issue, and that it is important that the magnitude of the matter is properly acknowledged. There are considerable governance concerns with regard to the expanded role that Scottish Futures Trust has in the project, the value-for-money that is actually

being achieved from this input, and the considerable shift in the end date of the project (which is now 2017, when originally it was December 2013).

6.1.6 Mr Egan advised the Committee that the Board was very aware of the risks associated with the project, and had communicated these concerns, but it did not appear to be within the Board's gift to resolve them. A considerable amount of money has been spent on this project, but the Board still does not have the land to allow it to proceed to build the new facility.

6.1.7 The Chair asked whether an internal audit of the project should be commissioned to consider the risks relating to the key mile stones on delivery of the Royal Hospital for Sick Children Reprovision. Mr Woods advised that an internal audit had been listed on last year's audit plan, and he had suggested that a specialist auditor be brought in to perform the work. However, the Audit Committee had not supported that suggestion. Mr Woods understood that assurances were being taken from Gateway reviews, a specific review commissioned from PwC, and the involvement of non-executive directors at the project steering group and Finance & Performance Review Committee. Mr Martin suggested that the Finance & Performance Review Committee was the key Board committee in respect of major capital projects and that any detail report of such a nature should be reported to and through it. Concern had been expressed at Audit Committee at slipping delivery dates, continuing problems over meeting contractual enabling steps such as land swaps, and project management clashes with the emerging gateway review process of the Scottish Futures Trust. The Finance and Performance Committee reports to Audit Committee at the end of each year on whether or not it has met its remit as part of the Governance Assurance process. The Chair of the Finance and Performance Review Committee has the opportunity to report to Audit Committee on key issues that arise from Audit Committee's review of the minutes. The Committee agreed that it was appropriate that any progress report on the new RHSC be commissioned by Finance and Performance Review Committee at the request of Audit Committee.

PM

6.1.8 Councillor McLellan queried why the health and social care integration agenda had not been included within the report. Mr McConnell advised that Audit Scotland were considering the integration agenda at Scottish Government level; however they would not go as far as being involved in the local discussions, but merely to be advised of developments as they occur.

6.1.9 The Committee agreed to accept the NHS Lothian Annual Audit Plan 2011/12 and the information detailed therein.

7. Corporate Governance

7.1 Risk Management Annual Report 2011-2012

7.1.1 Mrs Bennett presented the risk management annual report 2011-2012. She commented on the developments surrounding the control of risk management between April 2011 and March 2012. She advised that the risk policy was in

the final stages and would be formally approved in April, but that the process of implementation had already begun.

7.1.2 Mr Egan advised the Committee that he had concerns that there is an internal culture of risk recording rather than risk management. He gave examples of incidents occurring and not being assured that they reach the risk register, and thereafter systematic learning being achieved across the whole organisation.

7.1.3 Professor Barbour affirmed that it was critical that managers properly identify their risks and systematically take action to manage them.

7.1.2 Mr Egan raised concerns that improvements made to the Royal Victoria Hospital had resulted in an increased number of falls. He advised that this rise in falls clearly contradicted the previous Director of Nursing's reasoning for the proposed improvements. Members agreed to delegate the investigation of this matter to Professor Murray, Chair of Healthcare Governance and Risk Management Committee.

PM

7.1.3 The Committee agreed to accept the Annual Risk Management Report as a source of assurance for the Governance Statement that will be included in the annual accounts.

Mrs Bennett left the meeting.

7.2 Discharge of Accountable Officer Responsibilities

7.2.1 Mr Payne introduced the report on the arrangements for the discharge of the Accountable Officer's responsibilities. He explained that the report demonstrated linkages between the decision to delegate responsibility and what evidence was required to demonstrate why this action was delegated.

7.2.2 Mr Egan raised concerns that in the past the Scottish Government has written to officers in the Board, rather than to the Accountable Officer. He expressed the importance of ensuring that the Accountable Officer was at least copied into all correspondence to support the effective discharge of the Accountable Officer's responsibilities. Members agreed it would be worth re-affirming arrangements with the Scottish Government to ensure that the formal line of communication was adhered to.

SG

7.2.3 The Committee agreed that evidence to demonstrate the discharge of the Accountable Officer's responsibilities will be provided as a consequence of receiving other sources of assurance for the Governance Statement.

7.3 Revision of Scheme of Delegation

7.3.1 Mr Payne explained that the revision of the scheme of delegation was being submitted for consideration, as it must be reviewed by the Audit Committee before it can be presented to the Board for approval. He advised that the proposed changes were aimed to improve clarity to users, rather than any substantive changes to delegated authorities.

7.3.2 Mr Egan queried whether the changes addressed the issues that were found in a recent incident, whereby authority had inappropriately been delegated. Mr Payne advised the Committee that the scheme of delegation could not guard against bad decisions being made by an individual manager. Following a brief discussion it was agreed that Mr Payne would bring back the Scheme, after clarifying what decisions/ authorities could not be delegated and what further controls can be added to avoid poor practice in delegation.

AP

7.4 Accounting Policies

7.4.1 Mr Martin introduced the report on Accounting Policies that address note 1 of the annual accounts. He went on to specifically highlight detailed changes to the accounting treatment outlined in section 3 and 4 of the report, prior to going through the report and updating members on the typographical errors and missing information.

7.4.2 In response to Professor Barbour's query regarding cut off dates, Mr Martin explained that information could be included in the accounts until the Board approves them at the end of June.

7.4.3 The Committee agreed to recommend to the Board that the accounting policies when reproduced within the annual accounts can be adopted by the Board.

7.5 Patients Private Funds Annual Accounts 2010/11

7.5.1 Mr Martin introduced the previously circulated report asking Members to recommend to the Board that the patients' funds accounts for the year end March 2011 be approved.

7.5.2 The Committee agreed that the patients' private funds annual accounts 2010/11 be referred to the Board for approval. However the Committee requested that the covering paper provides an explanation as to why the accounts are being presented so late.

SG

7.6 Audit Committee Members Induction Pack

7.6.1 Mr Payne introduced a proposed Audit Committee Members Induction pack and attached documents. He advised that the pack has been developed to ensure that all Board members appointed to the Audit Committee are aware of what is expected of them. The Committee welcomed the pack and agreed that it should be routinely issued to new members of the Audit Committee and Operational Audit Sub-Committee.

Mr Egan left the meeting.

7.7 Technical Brief

7.7.1 Mr Martin drew attention to the recent audit of service cards and the final report that would follow in the near future, new release of information in the manual and item 4.3.5 in respect of requirements of the Chair of the Audit Committee to write to the Chief Accountable Officer and bring any governance issues to their attention and, as a minimum, raise issues with the Governance Statement.

7.7.2 The Committee noted the relevant highlights of the technical bulletin.

8. **Any Other Competent Business**

8.1 Critical Incident Review

8.1.1 Following a brief update on the ongoing critical incident review associated with waiting times, the Committee agreed that Mrs Goldsmith would liaise with Mr Boyter and Dr Farquharson to bring forward a report on matters arising for the Committee's consideration. This should cover issues relating to lessons learned for governance and internal control as well as the financial implications, so as to inform the review of the Governance Statement and the letter to the Chair of the Scottish Government Health & Wellbeing Audit Committee.

8.1.2 Mr McConnell requested that Audit Scotland be kept informed as the review progresses.

SG

9. **Date of Next Meeting: 26th June 2011**

9.1 Dates of future meetings in 2012

- Tuesday 9th October 2012
- Tuesday 11th December 2012

LOTHIAN NHS BOARD

AUDIT COMMITTEE

Minutes of the NHS Lothian Audit Committee Meeting held at 9.00am on Monday, 9 October 2012 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mrs T Douglas, Mr E Egan; Professor P Murray and Mr S Renwick (in the Chair).

In Attendance: Mr T Davison (Interim Chief Executive); Mrs S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D McConnell (Audit Scotland); Mr D Woods (Chief Internal Auditor); Dr C J Winstanley (Chairman); Mr A Payne (Corporate Governance & Value-for-Money Manager); Mr A Perston (Audit Scotland) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr Boyter and Mr Peacock.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. The Chair declared that his employer had an interest in shared services contracts discussed at the Finance and Performance Review Committee. The Chair declared an interest as an employee of the City of Edinburgh Council in respect of items detailed within the matters arising. Mr Egan declared an interest in relation to his brother's role in item 15.2.

10. Minutes of the Previous Meeting

10.1 Minutes of the Previous Meeting held on 5 April 2012– previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 5 April 2012 were approved as a correct record.

11. Matters Arising

11.1 Matters Arising from the Meeting of 5 April 2012 – the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 5 April 2012, together with the action taken and the outcomes.

11.1.1 Mrs Goldsmith explained that the ratio of the highest and lowest earners in NHS Lothian was 14 to 1 based on Consultant and Agenda for Change Band 1 staff. Members anticipated Mr Boyter's full report in October 2012.

11.1.2 In response to a query on paragraph 8.1.1 of the Audit Committee minutes, Mr Payne clarified that the Committee had previously agreed to receive a summary briefing on the progress of the critical incident review. This was so

AB

the Committee was kept informed of any issues relating to governance or internal control generally, and thereby inform the Committee's assessment of what is presented in the draft Governance Statement.

Mr Martin entered the meeting.

11.1.3 Mr Payne confirmed that the initials PM detailed within the action note were in fact Councillor Paul McLellan not Professor Pat Murray.

11.1.4 Mr Payne gave a brief overview of the action note. The Committee agreed that the proposed composite paper on Professional Registration would be considered by the Staff Governance Committee in the first instance. Professor Murray advised the Committee that she had discussed the report on the reconciliation of doctors on payroll to GMC connect with Dr Farquharson and Mrs Hornett.

11.1.5 Mrs Douglas queried whether the issue of lapsed registration was on the risk register or picked up during the application process for disclosure Scotland. Professor Murray agreed to look into this and feedback the outcome to the Committee.

PM

11.1.6 The Committee discussed the review of the Scheme of Delegation, and agreed it was important that the document was tested with colleagues to ensure that it was understood and applied in practice. Mr Payne agreed to take this forward as part of the development process.

AP

11.1.7 The Committee agreed to note the action taken in respect of the Matters Arising.

11.2 Business Continuity Management – Mrs Goldsmith spoke to the previously circulated report providing the Committee with an update on how the actions from the Internal Audit report on Business Continuity have progressed.

11.2.1 The Committee agreed the recommendations detailed within the report subject to the Audit Committee revisiting the matter in a year.

12. Operational Audit Sub-Committee

12.1 Minutes of the Operational Audit Sub-Committee held on 26 March 2012 – the Committee noted the previously circulated minutes of the meeting of the Operational Audit Sub-Committee held on 26 March 2012.

12.1.1 Following Dr Winstanley's request, the Committee agreed that a report on the future role of the Operational Audit Sub-Committee as a supporting body to the Audit Committee would be brought forward for consideration at the next meeting of the Audit Committee.

AP

12.1.2 The Committee agreed to adopt the minutes of the Operational Audit Sub-Committee meeting held on 26 March 2012.

13. Linkages with Other Board Committees

13.1 Finance & Performance Review Committee - Minutes of the Meetings held on 18 April 2012 - the previously circulated minutes of the Finance & Performance Review Committee meeting held on the 18 April 2012 were received.

13.1.1 Mr Egan made reference to the lack of context with regard to item 2.1 of the minute, specifically decisions made surrounding the relocation of the psychiatry Old Age Ward from the Royal Victoria Hospital to the Royal Edinburgh Hospital. Mrs Goldsmith explained that following a piece of work to scope the move no feasible alternative had been identified; however it was not clear whether the report was disseminated to the relevant Committees.

Dr Gillies entered the meeting.

13.1.2 Mrs Douglas highlighted the failure to include the relocation of the ward in the Royal Victoria Business Case. Members were assured that lessons learnt from the Royal Victoria Business Case would be applied to the Royal Hospital for Sick Children Business Case.

13.1.3 The Committee noted the Finance and Performance Review Committee minutes of 18 April 2012 and the information therein.

13.2 Healthcare Governance & Risk Management Committee - Minutes of the Meeting held 3 April 2012 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meeting held on the 3 April 2012 were received.

13.2.1 The Chair commented on recent discussions on backlog maintenance work at the Healthcare Governance and Risk Management Committee. Mrs Goldsmith advised members of proposed work to identify the required maintenance work by site. The Finance and Performance Review Committee will then review the outcome from this exercise.

13.2.3 In response to Professor Murray's comments on risks related to the attitudes of staff about reporting maintenance issues, Mrs Goldsmith advised that Mr Curley would take these matters forward as part of the review on the back log of maintenance.

13.2.4 The Committee noted the Healthcare Governance and Risk Management Committee minutes of 3 April 2012 and the information therein.

14. Internal Audit Reports

14.1 Private and Overseas Patients

- 14.1.1 Mr Woods gave a detailed introduction to the previously circulated report following the internal audit of Private and Overseas Patients. Mr Woods explained that the audit report had been issued in March and would ordinarily have been presented to the Operational Audit Sub-Committee. While separate topics, Mr Woods explained that processes regarding private and overseas patients are covered by a joint policy and procedures, with both topics involving consultants and front-line staff as well as Finance. Mr Woods highlighted the main issues raised in the report, in particular that consultants have not always been noting within job plans their intention to do private work, private patients are not always being identified, overseas visitors' liability status is not always being identified, and decisions about waiving costs for charitable cases may not be appropriate. The Chair expressed concerns regarding the issues raised.
- 14.1.2 Dr Gillies responded by noting that she had only recently taken on her current role, and her predecessor had expressed reservations about some of the audit findings. For example, Dr Gillies explained that at no time was the requirement to hold insurance for private work disseminated to consultants, and work was required to reconcile the terms of consultants' contracts with NHS Lothian's new procedures for private patients. However, Mr Woods advised that the previous policy issued 5 years ago had clearly stated a requirement for consultants to hold insurance. Mr Woods added that the draft version of the audit report had resulted in discussions about where risk and liability would lie for patients treated privately on NHS Lothian's premises. Mr Woods suggested that NHS Lothian would be faced with at least a reputational risk if any incident occurred.
- 14.1.4 In response to comments by Dr Gillies, Mr Woods explained that difficulties had been experienced in trying to agree the report with service managers. However, the report was factually correct despite service managers still not wanting to accept some of the findings. Mrs Goldsmith agreed that the audit findings could not be faulted, however the Board needed to be clear about NHS Lothian's stance about treating private patients, with a robust system in place or the facilities removed.
- 14.1.5 Mr Davison advised that this was not something that he had come across before in his capacity as Chief Executive of NHS Lanarkshire. He proposed that the organisation should consider whether in principle it should be hosting private work. If it was agreed that NHS Lothian should be doing this, there should then be an evaluation of the materiality of the activity, and an agreement as to what the required return on investment needs to be.
- 14.1.5 The Committee agreed that if it was accepted that NHS Lothian would host private patient activity, then it should be done so through a robust system of management where clinicians are required to have explicit authority to conduct private practice.
- 14.1.6 Mr Egan stated that a number of these cases presented as routine treatment on high risk patients which develop into complex cases and the treatment that follows was not recharged by the NHS.

14.1.7 It was agreed that Mrs Goldsmith, and Dr Gillies would liaise to identify;

- what happens at present,
- what processes would be required to be in place, and
- the cost of introducing a robust process.

14.1.8 It was agreed that a report on this would be considered by the CMT. Mr Egan requested that the Partnership Forum be involved in the process.

SG

14.2 Internal Audit – Progress Report June 2012

14.2.1 Mr Woods gave a brief overview of the report and highlighted the completed 2011 plan (except for one report which remains in draft), progress made with starting the 2012 plan and 4 specific pieces of extra work which would impact on the 2012 plan. Mr Woods summarised the 4 pieces of extra work: NHS Waiting Times Arrangements which is covered by a separate agenda item; Review of Information Received by the Board which represents follow-up work requested by the Chair of the Board; payments for waiting list initiatives which follows on from a Critical Incident Review; and questions raised during a recent internal audit regarding a contract for supplementary staffing. The Chair requested that Mr Woods carry out a scoping exercise to determine how many days each additional review would take and report back to the Operational Audit Sub-Committee.

DW

14.2.3 The Committee agreed that the Chair of the Audit Committee should be kept apprised of any issues with regard to staffing levels and calls upon the time of Internal Audit, where it has a bearing on the delivery of the internal audit plan. The Committee agreed it was important to keep the lines of communication open and transparent.

14.2.4 Dr Winstanley advised that the Review of Information Received by the Board had been led by him and supported by an external consultant, rather than commissioned from an external consultant as stated in the Internal Audit Progress Report.

14.2.5 With regards the performance percentages quoted in the Internal Audit Progress Report, Mrs Douglas queried whether the target to issue draft reports within 2 weeks following the end of fieldwork was realistic. Mr Woods explained that the 2-week target had been set by him, and he considers the target to be desirable and realistic. Mr Woods advised that the target helps to focus attention on getting reports issued, as well as identifying aspects of the audit process that could be improved.

14.2.6 The Committee noted the previously circulated Internal Audit Progress Report June 2012 and the assurances therein.

14.3 Internal Audit – Reports with Fully Satisfactory & Satisfactory” Ratings - Mr Woods gave a detailed overview of the previously circulated report and summarised the main findings from the audits of Pool & Leased Cars (Follow-up), Hospital Laundry and Complaints & Litigation. In response to an earlier

request, Mr Woods agreed to check that a copy of the final report on Pool & Leased Cars (Follow-up) had been sent to Mr Peacock for his information.

DW

14.3.1 With regards Pool & Leased Cars, the Chair requested that Mrs Goldsmith take the issues surrounding the correlation of excess and insurance premiums offline Mrs Goldsmith advised the Committee of ongoing national discussions and recent measures taken to request that staff were more careful.

SG

14.3.2 The Committee noted the positive progress since the earlier audit of Pool & Leased Cars and the work done by the Transport and Access Committee.

14.3.3 With regard to Hospital Laundry, the Committee noted that many long-standing issues remain, including overweight laundry bags, rogue items being found within laundry bags, incidents not being reported on DATIX, and health & safety procedures not always being followed. Also, the Committee noted that prices have not been revised for commercial services. The Committee questioned whether the overall rating was really “satisfactory” in the light of these findings. Mr Woods advised that the satisfactory rating reflected many positive aspects with the operation of the laundry.

14.3.4 The Committee agreed to note the outcome of the audit on Hospital Laundry and requested that Internal Audit remain vigilant as laundry services go forward.

14.3.5 With regards Complaints & Litigation, Dr Winstanley noted the importance of a sufficient Complaints Department in relation to the recent waiting times incident. He proposed that it would be timely to request that following the conclusion of waiting times work that the Corporate Management Team look at the broad strategic issues surrounding complaints. Mr Davison advised caution in tasking an already over stretched Corporate Management Team with another large project. He proposed that in the first instance this matter should be taken forward through Clinical Governance and Patient Experience groups.

14.3.6 Mr Egan commented on the challenges the Complaints department have had in trying to secure an appropriate location, with the team currently based in an open plan office environment. He also highlighted the importance of the quality of responses versus the achievement of targets and failure to recognise learning coming out of incidents. Members agreed that the team needed to be properly resourced to ensure that lessons learned from complaints are embedded into service delivery.

14.3.7 The Committee noted the previously circulated Internal Audit - Reports with Fully Satisfactory & Satisfactory Ratings and the assurances therein.

14.4 Property Maintenance – May 2012 – Mr Woods introduced the previously circulated report which had covered the 5 maintenance teams and focused on the use of the Backtrack system. Mr Woods gave an overview of the main issues raised in the report including that Backtraq is not being actively managed for outstanding jobs and completion rates, the coverage and quality

of the Planned Preventative Maintenance programme varies across sites and jobs are not always being completed, team structures vary across sites with shift patterns and on-call arrangements varying, and practices vary for dealing with jobs raised following inspections.

OASC

- 14.4.1 The Committee noted reports produced by Estates that a further £140 million was required to bring all sites up to a satisfactory standard. Also, reports to the Executive Management Team and Board had advised that £20 million is needed to address major risks across the main hospital sites. The Chair requested that the Operation Audit Sub-Committee take forward a detailed risk review of the issue of property maintenance, following the consideration of the issue at the Finance & Performance Review Committee.
- 14.4.2 Mrs Goldsmith urged the Committee to be careful when using the term backlog maintenance, noting that a large section of this maintenance was related to life-cycle issues and recent Healthcare Environment Inspectorate inspections. In response to Mrs Douglas's query regarding Consort's approach to life-cycle maintenance, Mrs Goldsmith advised colleagues that she would take all issues related to property maintenance forward with Mr Graham and Mr Curley. The Committee noted that the internal audit did not include maintenance at the Royal Infirmary of Edinburgh.
- 14.4.3 The Committee noted the previously circulated report on Property Maintenance May 2012 and the assurances therein.
- 14.5 CFS Referrals & Operations – June 2012 – Following a brief introduction from Mr Woods, the Committee noted the CFS Referrals and Operations Report June 2012. In particular, the Committee noted that 11 referrals and 6 operations were open at the time the report was prepared. From the operations, Mr Woods advised that an ex-employee had pled guilty in March to continuing to work as a registered nurse despite letting her NMC registration lapse, with sentencing deferred until September. Also, a former nurse who pled not guilty to forging prescriptions is due to return to court in June, and 2 ex-employees have been reported to the Procurator Fiscal for working elsewhere while claiming sick-leave from NHS Lothian. Finally, Mr Woods advised that a dentist is being investigated for suspicions about claiming for services not provided and materials not used, and a GP is being investigated for possibly altering records to claim extra payments under the Quality Outcomes Framework.
- 14.6 Fraud Referrals & Operations for year to end 31 March 2012 – Mr Woods spoke to the previously circulated report that provided the Committee with statistics on fraud referrals and operations raised during the year ending 31 March 2012. Mr Woods gave an overview of the main figures and highlighted the 7 cases which had led to criminal convictions during the year.
- 14.6.1 In response to a question from Professor Murray, Mr Woods advised that NHS Lothian shares information with other Boards through Counter Fraud Services whilst ensuring that Data Protection and confidentiality policies are observed.

- 14.6.2 The Committee agreed to accept the report.
- 14.7 Counter Fraud Services – Quarterly Report – March 2012 - Mr Woods noted the Counter Fraud Services quarterly report underlining Operations BARRA and PLASMA from NHS Lothian.
- 14.7.1 The Committee agreed to accept the CFS Quarterly Report – March 2012.
- 14.8 Counter Fraud Services – Intelligence Alerts
- 14.8.1 The Committee noted the previously circulated paper about Counter Fraud Services bulletins and the information therein. In particular, the Committee noted that the alerts had been distributed to relevant senior managers on the day of receipt.
- 14.9 Counter Fraud Services – Patient Exemption Checking and Potential
- 14.9.1 The previously circulated report to provide the Committee with information on the latest analysis of fraudulent and erroneous claims from exemption from patients' charges was received.
- 14.9.2 Mrs Goldsmith assured the Committee that fraud had significantly reduced following the removal of prescription charges and the proactive approach to fraud in NHS Lothian.
- 14.9.3 The Committee agreed to accept the assurances detailed within the report subject to the amendment of item 3.2 in respect of reference to the now dissolved Primary and Community Partnership Committee (PCPC).
- 14.10 Internal Audit - Annual Report for 2011/12 - Mr Woods presented the annual report and confirmed that Internal Audit's work indicated that generally adequate and effective internal controls had been operating throughout the year. Mr Woods highlighted that 13 internal audit reports (62%) had received ratings of Satisfactory, while 8 reports (38%) had been issued with ratings of Requires Improvement, in line with the general pattern over recent years. From the audits, Internal Audit had raised 65 issues: one Critical issue, 52 Significant issues and 12 Important issues. Also, Mr Woods commented that 49 issues raised in Internal Audit reports remained outstanding at 31 March 2012, including 35 with management actions outstanding past their target dates for completion. Mr Woods reminded the Committee of the report presented in October 2011 which indicated that 92% of management actions are not completed by agreed target dates. Nevertheless, Mr Woods summarised that Internal Audit could report positively against the requirements of the guidance for supporting the Governance Statement.
- 14.10.1 In response to concerns about the late completion of management actions, Mr Woods agreed to present a detailed analysis of outstanding issues to a future meeting of the Audit Committee.
- 14.10.2 In response to the information presented in the report and issues already discussed from recent internal audit reports, the Committee debated whether

DW

assurances are sufficient to conclude that controls are adequate and effective. Following consideration of the wider control framework and many positive aspects, Mr Davison concluded that he had sufficient assurances for the purposes of the Governance Statement.

14.10.3 The Committee agreed to accept the report.

14.11 Internal Audit Review of NHS Waiting Times Arrangements – Terms of Reference – the Committee noted the previously circulated letter and attached terms of reference issued by the Scottish Government.

14.11.1 Mr Woods advised the Committee that Internal Audit was currently scoping the size of the audit. In particular, Mr Woods noted that various service teams across NHS Lothian manage different waiting lists, including support from Health Records and medical secretaries. As such, the audit will require meetings with many teams. Also, the results of data queries to be run on waiting lists will greatly influence the amount of work required.

14.11.2 Separately from the audit, Mr Davison explained that a report would be submitted to the Board reflecting the revised arrangements in place for managing waiting times, in particular the team of Martin Egan, Andy Jackson and Harry Purser has been tasked with monitoring recommendations being put in place.

14.11.3 The Committee agreed to accept the terms of reference, but noted that the Scottish Government's deadline of 17 December would require Internal Audit's report to be ready for the October Audit Committee. As this is not possible it was agreed a special meeting of the Audit Committee will need to be convened to receive the report.

15. External Audit Reports

15.1 NHS Lothian: 2011/12 Review of Internal Controls - the previously circulated report on NHS Lothian: 2011/12 Review of Internal Controls from Mr McConnell was received.

15.1.1 Mr McConnell presented the report highlighting the key findings in relation to the overall systems of internal control, the completion of the audit plan and the responsibility of the management to decide on the extent of the internal control systems appropriate to NHS Lothian. The report did not include any "high priority" matters.

15.1.2 The Committee agreed to accept the report.

15.2 NHS Lothian: Computer Services Review - Mr McConnell advised that overall e-Health's performance was satisfactory, however there were 4 areas of improvement: timely removal of access rights for staff who have left, emergency power for servers at the Royal Infirmary of Edinburgh, risks relating to information security as the Board moves forward with hand-held devices and remote access to the internet, and the review of procedures for technical services. Members noted that 3 out of the 4 actions were complete.

15.2.1 The Committee agreed to accept the report.

Professor Murray left the meeting.

16. General Corporate Governance

16.1 2011/12 Healthcare Governance Committee Annual Report to Lothian NHS Board - the previously circulated report to provide the Committee with the annual report of the Healthcare Governance & Risk Management Committee, so as to provide a source of assurance with respect to the Governance Statement was received.

16.1.2 The Committee accepted the report provided as a source of assurance to support the Governance Statement.

16.2 Lothian NHS Board Annual Report of the Chair of the Finance & Performance Review Committee Period Ending 31 March 2012 - the previously circulated report to provide the Committee with the annual report of the Finance & Performance Review Committee, so as to provide a source of assurance with respect to the Governance Statement was received.

16.2.1 The Committee accepted the report provided as a source of assurance to support the Governance Statement.

16.3 2011/12 Annual Report from the Staff Governance Committee - the previously circulated report to provide the Committee with the annual report of the Staff Governance Committee, so as to provide a source of assurance with respect to the Governance Statement was received.

16.3.1 The Committee accepted the report provided as a source of assurance to support the Governance Statement.

16.4 2011/12 Annual Report from the Information Governance Assurance Group - the previously circulated report to provide the Committee with the annual report in respect of the Information Governance Assurance Group, so as to provide a source of assurance with respect to the Governance Statement was received.

16.4.1 The Committee accepted the report provided as a source of assurance to support the Governance Statement.

16.5 2011/12 Summary Assurance Report on Best Value – the report to brief the Committee on how NHS Lothian progresses the duty of Best Value was received.

16.5.1 The Committee accepted the report provided as a source of assurance to support the Governance Statement.

16.6 Lothian NHS Board Annual Report of the Chair of the Operational Audit Sub-Committee Period Ending 31 March 2012 - the previously circulated report to

provide the Committee with the annual report of the Operational Audit Sub-Committee was received.

- 16.6.1 The Committee accepted the report provided as a source of assurance to support the Governance Statement.
- 16.7 NSS Service Audit Reports 2011/12 – the previously circulated report to provide the Committee with assurance on the systems of control managed by NSS on the Board's behalf was received.
 - 16.7.1 The Committee acknowledged the unqualified opinions from the service auditors for each area and accepted these as a source of assurance in respect of the Board's systems of internal control.
- 16.8 Primary Care Payments – the previously circulated report to provide the Committee with assurance in regard to payments made to family Health Service Practitioners and that this report was a relevant source of assurance to support the 2011/12 governance statement was received.
 - 16.8.1 The Committee agreed to accept the report as a source of assurance to support the 2011/12 governance statement.
- 16.9 SFR 18.0 – Summary of Losses and Payments for the Year Ended 31 March 2012 – the previously circulated report to provide the Committee with an opportunity to review the summary of losses and compensations payments incurred throughout 2012 was received.
 - 16.9.1 Mrs Goldsmith highlighted the improvements in respect of overseas patients, decreased debt in respect of turnover of staff, and advised the Committee that her team would continue to press for improvement and progress in relation to the historic debt accumulated by the University of Edinburgh.
 - 16.9.2 The Committee noted the paper.
- 16.10 Formal Consideration of Resources Available to the Committee - the Committee agreed that the resources made available to the Committee (e.g. through audit days and supplementary support) had been adequate for the Committee to discharge its functions. However, the Committee agreed that it needed to monitor the impact of difficulties highlighted by the Chief Internal Auditor about attracting and retaining suitable auditors as salary levels paid by NHS Lothian for auditors are below market rates.
 - 16.10.1 The Committee agreed to accept the report.
- 16.11 Update on Action Plan to Improve Awareness of and Compliance with Policies and Procedures – the previously circulated report to provide the Committee with an update on the action plan that it received on 21 June 2011 that was prepared in response to the Internal Audit report on compliance with Policies and Procedures March 2011 was received.

16.11.1 The Committee agreed to accept the action plan as evidence of progress made.

Dr Winstanley left the meeting.

16.12 Addressing the Governance Issues from the Waiting Times, Board Information and Culture Reviews – Mrs Goldsmith introduced the previously circulated report on addressing the governance issues from the waiting times and board information and culture review.

16.12.1 The Committee agreed to accept the briefing as a source of assurance that the governance and internal control issues arising from the various reviews would be systematically addressed and the action plan transparently monitored.

16.13. Governance Statement Assurance – The Committee received the previously circulated report to meet the Committee's request to see what was disclosed by direct reports to the Chief Executive through the managerial statements on internal control. This is one of the sources of assurance for the Accountable Officer's Governance Statement which is incorporated into the 2011/12 annual accounts.

16.13.1 The Committee agreed to note the report.

17. Annual Accounts

17.1 Governance Statement - a previously circulated paper, together with the draft Governance Statement was received. Mr Martin spoke to the Governance Statement noting in detail the arrangements put in place to support the statement.

17.1.1 Following its review of the Governance Statement, the Committee agreed to support the Statement and recommend the Statement to the Board, subject to minor correction in relation to a form of words being included in respect of proactive follow up, the culture review, and the correction in the title of the Finance and Performance Review Committee.

BM

17.2 Representation Letter - the Committee received a previously circulated report, together with a draft Letter of Representation to the External Auditors.

17.2.1 Following discussion, it was agreed that the statement properly represented confirmation to the External Auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2012, and to recommend to the Board that the letter be adopted subject to the minor amendment to Mr Davison's title.

17.3 External Audit - Lothian NHS Board – Draft Report to those charged with Governance on the 2011/12 Audit - a previously circulated draft report to those charged with governance on the 2011/12 Audit was received.

- 17.3.1 Mr McConnell spoke to the report highlighting preparative work, matters arising, outcomes and that the final audit opinion would be formally submitted later today.
- 17.3.2 The Committee agreed to accept the report subject to the re-working of paper 8.2.
- 17.4 Annual Accounts for the Year ended 31 March 2012 - the Committee received the annual accounts for 2011/12 and proceeded to scrutinise each page of the accounts in detail.
- 17.4.1 Following a detailed consideration of the draft annual accounts for 2011/12, a number of minor amendments to the annual accounts were agreed. Subject to these amendments, the Committee agreed to recommend to Lothian NHS Board that it approve and adopt the annual accounts for year ended 31 March 2012.

Mr Davison and Mr Egan left the meeting.

- 17.5 NHS Lothian, Audit Committee Annual Report from the Chair – Year Ending 31 March 2012 – the Committee approved the previously circulated NHS Lothian, Audit Committee Annual Report from the Chair – Year Ending 31 March 2012.
- 17.6 Lothian NHS Board Audit Committee – 2011/12 Notification to the Health & Wellbeing and Cities Strategy Audit Committee – the previously circulated letter and attached action plan was received.
- 107.6.1 The Committee agreed to approve the letter.

18. Any Other Competent Business

- 18.1 Mr Renwick – Mrs Goldsmith thanked Mr Renwick on behalf of the Committee for his invaluable support and work over the years he served as Chair of the Audit Committee.

19. Date of Next Meeting

- 19.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 9 October 2012 at 9.00am in Waverley Gate, Edinburgh.

LOTHIAN NHS BOARD

AUDIT & RISK COMMITTEE

Minutes of the NHS Lothian Audit & Risk Committee Meeting held at 9.00am on Monday, 9 October 2012 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr J Brettell (in the Chair); Mr M Ash.

In Attendance: Ms J Bennett (Clinical Governance & Risk Manager); Mr T Davison (Chief Executive); Mrs S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D McConnell (Audit Scotland); Mr D Woods (Chief Internal Auditor); Dr C J Winstanley (Chairman); Mr A Payne (Corporate Governance & Value-for-Money Manager); Mr A Perston (Audit Scotland); Dr N Uren (Consultant, Cardiology) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Councillor Henderson, Councillor Grant, Councillor Johnstone and Mr Peacock. It was noted that under the existing Terms of Reference for the Committee, the required quorum is 2 members.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Mr Ash declared that he was a member of the Accounts Commission which has close links with the external auditors, Audit Scotland.

20. Minutes of the Previous Meeting

20.1 Minutes of the Previous Meeting held on 26 June 2012 – previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 26 June 2012 were approved as a correct record.

21. Matters Arising

21.1 Matters Arising from the Meeting of 26 June – the Committee noted the previously circulated paper detailing the matters arising from the Audit Committee meeting held on 26 June 2012, together with the action taken and the outcomes.

21.1.1 The Committee discussed the subject of hosting the provision of private patient activity. The Committee agreed that this was a valid activity for income generation purposes, provided that there was no detriment to the capacity available for NHS patients. However this needs to be closely monitored and kept under continuous review. Mrs Goldsmith advised the Committee that the Corporate Management Team was currently reviewing on a specialty by specialty basis, the effect of hosting private patient activity on

service capacity. Mrs Goldsmith agreed to bring a report on the outcomes of this exercise.

21.1.2 The Committee discussed the separate issue of the provision of care to non-UK resident patients, and recognised the difficulties in identifying and tracking these patients. However it was agreed that this subject should be considered at a later date, after the work on the private patient activity has been concluded.

21.1.2 The Committee agreed to note the action taken in respect of the Matters Arising.

Mr Martin entered the meeting.

22. Cardiology Services: Audit Scotland – February 2012

22.1 The previously circulated report to inform the Committee of the Audit Scotland summary and full reports on Cardiology Services in February 2012 and how the recommendations would be progressed within NHS Lothian was received.

22.2 The Committee discussed the report in detail noting and welcoming the positive outcomes and the efficient and effective management of Cardiology Services in NHS Lothian. It was noted that the main challenge would be continuity of high quality care with budgetary constraints.

22.3 Members received assurance that the findings and subsequent actions would be taken forward by the Healthcare Governance Committee and the Audit and Risk Committee would receive a report in due course.

22.4 The Committee agreed to note the recommendations detailed within the report.

Dr Uren left the meeting.

23. Introduction to Audit and Risk Committee

23.1 Proposed Terms of Reference of the Audit and Risk Committee – The Committee reviewed the previously circulated proposed terms of reference of the Audit and Risk Committee and the changes detailed therein.

23.1.1 There was some discussion surrounding the ownership of the corporate risk register. It was agreed that the corporate risk register would be considered by the Audit and Risk Committee on a six monthly basis. A further layer of assurance would be taken forward through the Risk Management Steering Group, which will have its first meeting on 29 October 2012.

23.1.2 It was agreed that the members of the Audit and Risk Committee would hold pre and post Committee meetings to tease out issues and confirm that all areas of concern identified prior to the meeting

23.1.3 The Committee agreed to recommend that the Board approve the proposed terms of reference for the Audit and Risk Committee subject to changes discussed.

23.2 Mapping of Activities to the Terms of Reference for the Audit and Risk Committee – the Committee agreed to defer consideration of this item until the November 2012 meeting.

24. Linkages with Other Board Committees

24.1 Finance & Performance Review Committee - Minutes of the Meetings held on 6 June and 15 August 2012 - the previously circulated minutes of the Finance & Performance Review Committee meetings held on the 6 June and 15 August 2012 were received.

24.1.1 The Committee noted the Finance and Performance Review Committee minutes of 6 June and 15 August 2012 and the information therein.

24.2 Healthcare Governance & Risk Management Committee - Minutes of the Meeting held 12 June and 7 August 2012 - the previously circulated Minutes of the Healthcare Governance & Risk Management Committee meetings held on the 12 June and 7 August 2012 were received.

24.2.1 The Committee noted the Healthcare Governance and Risk Management Committee minutes of 12 June and 7 August 2012 and the information therein.

24.3 Staff Governance Committee – Minutes of the Meeting held on 30 May and 29 August 2012 – the previously circulated minutes of the Staff Governance Committee meetings held on 30 May and 29 August 2012 were received.

24.3.1 The Committee noted the Staff Governance Committee minutes of 30 May and 29 August 2012 and the information therein.

24.4 Following a brief debate on linkages between Board Committees it was agreed that any matters from other Committees that required to be discussed would be considered by exception. The minutes would be removed from the agenda as a standing item.

25. Risk Management

25.1 NHS Lothian Revised Risk Register

25.1.2 The Committee noted the previously circulated report on the NHS Lothian Risk Register and the detail therein.

25.1.2 The Committee discussed the mitigation of risk and the level of assurance the Audit and Risk Committee required to effectively discharge their duties on behalf of the Board.

25.1.3 The Committee agreed that the key points for the Risk Steering Group's consideration were:

- Symptoms and causes of risk
- Understanding / Visibility of gross risk
- Ensuring visibility of Risks where no mitigation has yet been identified
- control
- Identifying the gaps in the register, with a concern that the current register was a good starting point but was not yet in a format where it was felt it would add value for Board presentation

25.1.4 The Committee agreed that the Risk Register required further development. It needs to be a more effective device for giving assurance to the Committee and the Board that there is a comprehensive understanding of the organisation's risks, and that action is being taken to manage and mitigate the risks.

25.1.5 The Committee agreed that the Risk Management Steering Group should consider this feedback and review the risk register at its next meeting, and re-present the risk register at the February meeting of the Committee.

25.1.6 The Committee also agreed that the Steering Group should consider the issue of organisational culture in relation to promoting a transparent approach to the identification and assessment of risk. A report on developments in the risk management system would be brought forward for consideration at the November meeting

JB

26. Internal Audit Reports

26.1 Internal Audit – Progress Report September 2012

26.1.1 Mr Woods gave a brief overview of the report and highlighted progress made with the 2012 plan. He reiterated the 4 pieces of extra work which might impact on the 2012 plan: NHS Waiting Times Arrangements, which has been added to the plan following a direction from the Scottish Government; Review of Information Received by the Board, which represents follow-up work requested by the Chair of the Board; payments to consultants for waiting list initiatives, which follows on from a Critical Incident Review; and questions raised during a recent internal audit regarding a contract for supplementary staffing.

26.1.2 The Committee noted that:

- the NHS Waiting Time Arrangements audit was ongoing, with a target date of 17 December 2012 for providing the report to the Scottish Government;
- the Review of Information Received by the Board will be taken forward by Internal Audit in early 2013;
- payments to consultants for waiting list initiatives will be discussed between the Chief Internal Auditor and Director of Finance; and

- the contract for supplementary staffing was considered lower priority as the position has since moved on.

26.1.3 Following a brief debate it was determined that a special meeting would be convened in November for the Audit & Risk Committee to receive the report on NHS Waiting Times Arrangements.

26.1.4 The Committee noted the previously circulated Internal Audit Progress Report September 2012.

26.2 Internal Audit – Reports with Fully Satisfactory & Satisfactory Ratings - The Committee noted the previously circulated Internal Audit - Reports with Fully Satisfactory & Satisfactory Ratings and the issues and assurances therein regarding the audits of Supplementary Staffing, Bank & Cash, Health & Safety – Manual Handling, and Accounts Receivable.

26.2 Property Transactions June 2012 – Mr Woods gave a brief overview of the mandatory audit of property transactions, highlighting that the process for signing off the property certificates required strengthening. Members noted that the Land & Property Manager is clarifying with the Scottish Government particular aspects regarding what is required by the Property Transactions Handbook.

26.2.1 The Committee noted the previously circulated report on Property Transactions.

26.3 Ascribe System September 2012 – The Committee noted the previously circulated report on the Ascribe System and the information therein.

26.3.1 There was some general discussion surrounding the timely implementation of Management Actions by service managers. It was proposed that in future relevant service managers should attend the Audit & Risk Committee to respond to internal audit reports. Meanwhile, the Chair noted that it was unacceptable for a high percentage of Management Actions to remain outstanding beyond their agreed implementation dates. The Chief Internal Auditor undertook to present a report on the up-to-date position to the next meeting of the Audit & Risk Committee.

26.3.2 Also, the Committee discussed the level of resources and mix of skills within the Internal Audit team. The Chief Internal Auditor reiterated difficulties associated with recruiting and retaining appropriately qualified auditors, as salaries for auditors within NHS Lothian are below market rates. The Director of Finance agreed to review this matter and report back to the Committee. **SG**

27. External Audit Reports

27.1 NHS Lothian Annual Report on the 2011/12 Audit - the previously circulated report on NHS Lothian: Annual Report on the 2011/12 Audit from Mr McConnell was received, and the Committee welcomed the report and achievement of targets, savings, and the unqualified nature of the report.

27.1.1 Mr McConnell presented the report, highlighting the key findings of the 2011/12 Audit. It was noted that the equal pay claims could not be quantified and unions had been unable to produce a benchmark; this matter would be taken forward nationally.

27.1.2 The Committee agreed to accept the report.

27.2 Using Locum Doctors in Hospitals – Follow up – the previously circulated report on using locum doctors in hospitals from Mr Perston was received.

27.2.1 Mr Perston presented the report highlighting the progress to date, systems in place, areas improvements and the impact of Waiting Times.

27.2.2 There was some discussion surrounding the continuity of care and the use of locums in respect of waiting times, and Mr Davison noted that this was sometimes necessary to cover rota requirements. It was agreed that assurance would be sought from the Staff Governance Committee that required actions have been implemented **AP**

27.2.3 Members agreed that all audit reports should include a covering paper in the Board template prior to coming to the Committee for consideration.

27.2.4 The Committee agreed to accept the report.

28. General Corporate Governance

28.1 Review of the Standing Financial Instructions - the previously circulated report to advise the Committee of the outcome of the scheduled periodic review of the standing financial instructions and the proposed revisions was received.

28.1.1 The Committee agreed to recommend that the Board support the proposed revisions to the Standing financial instructions subject to the minor amendments discussed. Mr Winstanley proposed that all Committee Chairs should ensure they read the SFIs and confirm to the NHS Lothian Board Chairman that they have done so **AP**

28.2 Revising the Scheme of Delegation – the previously circulated report to propose revisions to the Board's Scheme of Delegation to clarify how it was to be applied was received.

28.2.1 Following a detailed review of the scheme of delegation and the proposed revisions the Committee agreed to recommend that the Board approve the revision to the scheme of delegation, subject to the amendments as discussed. . **AP**

28.3 Nugatory Payment: Harvard Business School – the Committee noted the previously circulated report on the nugatory payment above the Board delegated limit to Harvard Business School.

28.3.1 There were some discussions surrounding the lack of enthusiasm surrounding uptake of the course from colleagues out with NHS Lothian and the lessons that would be learnt in respect of future training.

28.3.2 The Committee expressed their concern and disappointment that this situation arose, questioning why a contract of that nature had been signed off without appropriate written confirmations from other parties. It was also noted that ultimately there is no financial loss to NHS Lothian, and the committee therefore reluctantly agreed to accept the report and support the recommendations therein.

28.4 Edinburgh and Lothian Health Foundation: 2011/12 Annual Accounts - the previously circulated report to brief the Committee on the form and content of the financial statements of the Edinburgh and Lothian Foundation, in view of the likely consolidation of the endowment funds into the NHS Board accounts was received.

28.4.1 The Committee noted the progress to date. Members agreed to await a further report as the consolidation process moves forward.

28.4.2 The Committee agreed to accept the report.

28.5 Technical Brief – the Committee noted the previously circulated technical brief for information. It was agreed that in future this item would be picked up any other business.

29. Any Other Competent Business

29.1 Integration – There was some discussion on the plans for integration and the establishment of Health and social Care Partnerships. It was agreed that integration would be picked up through the risk register. A report on integration would be brought forward for consideration in the near future. **AMcM**

29.2 Volume of Paperwork – the Committee agreed that given the substantial amount of paperwork received by all Board and Committee members, there is a risk that key issues are missed and governance is compromised. It was agreed that this should be considered for inclusion in the Corporate Risk Register. **JB**

29.3 Feedback on Committee meetings - the Chair requested that feedback on the structure and effectiveness of each Committee meeting be a standing item on the agenda. **AP**

30. Date of Next Meeting

30.1 It was noted that the next scheduled meeting of the Audit & Risk Committee would be held on Thursday, 15 November 2012 at 2.00pm in Waverley Gate, Edinburgh, preceded by a closed meeting for committee members only at 1pm to consider the Waiting Times report.

NHS Lothian

Audit & Risk Committee

Minutes of the NHS Lothian Audit & Risk Committee Meeting held at 2.00 pm on Monday, 15 November 2012 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr J Brettell (in the Chair); Councillor D Grant and Ms J McDowell.

In Attendance: Ms J Bennett (Clinical Governance & Risk Manager); Mrs S Goldsmith (Director of Finance); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D Woods (Chief Internal Auditor); Mr A Payne (Corporate Governance & Value-for-Money Manager); Mr A Perston (Audit Scotland); Mr J Sherval (Public Health); Ms L Livingstone (Internal Audit) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr Peacock, Dr Bryce, Councillor Henderson, Councillor Johnstone and Mr Ash, Mr Davison. Ms J McDowell stood in as a Non Executive to ensure the meeting was quorate.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

32. Minutes of the Previous Meeting

32.1 Minutes of the Previous Meeting held on 9 October 2012 – previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 9 October 2012 were approved as a correct record.

33. Matters Arising

33.1 Matters Arising from the Meeting of 9 October 2012 – the Committee noted the previously circulated paper detailing the matters arising from the Audit & Risk Committee meeting held on 9 October 2012, together with the action taken and the outcomes.

33.1.1 Mrs Goldsmith advised the Committee that she would bring forward a report on the private patient activity to the Audit and Risk Committee in February 2013.

SG

33.1.2 There was some discussion surrounding the resources available to the internal audit team and some proposed changes to the internal audit structure to utilise resources better. Mrs Goldsmith agreed to brief Mr Brettell out with the meeting.

SG

33.1.3 Mrs Bennett advised the Committee that addressing the cultural aspects of risk management will be progressed through the work of the Risk Management Steering Group.

33.1.4 Mr Payne confirmed that the chairs of Committees will be sent the SFIs for them to confirm that they have read them, in line with the previous request made by the Board Chairman.

33.2 The Committee agreed to note the action taken in respect of the Matters Arising.

34. Risk Management

34.1 Terms of Reference for the NHS Lothian Risk Management Steering Group – the Committee noted the previously circulated paper advising how the terms of reference were being set out.

34.2 The Committee requested that, to comply with the requirements and duties of its own terms of reference, the terms of reference of the RMSG be amended to state that the Audit & Risk Committee would expect at every meeting to receive:

- A briefing on updates to the risk register
- A report on any major changes

Ms Bennett confirmed that she will bring forward the corporate risk register for review at the February Committee meeting before it is presented to the Board.

JB

34.3 The Committee suggested that the Risk Management Steering Group should reconsider the quorum outlined in the terms of reference. Given the small number of members a quorum of 8 may prove to be ambitious. Ms Bennett agreed to raise this matter at the next Risk Management Steering Group.

JB

35. Internal Audit

35.1 Internal Audit – Progress Report November 2012

35.1.1 Mr Woods gave a brief overview of the report and highlighted progress made with the 2012 audit plan. He advised that the Medicines Approval report would be deferred to the February ARC when Dr Farquharson would be available to attend the meeting.

35.1.2 Following a brief debate the Committee agreed that in the event of an overall opinion of “Requires Improvement” or “Unsatisfactory” being given in an internal audit report, the responsible director would be invited to attend the ARC at the same time as the report is presented to the ARC. The Committee shall be looking to;

- Confirm that there is Management agreement on the issues
- Get an understanding as to why things have happened that led to the audit's findings
- Receive assurance that there is commitment to meet the agreed deadlines for Management Actions.

35.1.3 The Committee noted the previously circulated Internal Audit Progress Report November 2012.

35.2 Data Security – Patient Identifiable Information (October 2012) – the previously circulated internal audit report on data security and the recommendations detailed within were noted. Mr Woods explained that the audit had focused on patients' data being used for non-clinical purposes. He mentioned that induction and update training is provided for information governance, although training is not always completed or as regular as required. Also, various policies and procedures touch upon patient-identifiable information, with the volume and range of policies possibly contributing towards confusion. Mr Woods mentioned the board's commitment to following the 6 principles of the Caldicott Report, and the audit found that applicants generally adhere to the assurances given in their Caldicott applications. However, Caldicott approval is not always being sought (25% of download instances). Lastly, Mr Woods reported that Waverley Gate is currently the only location with a designated Safe Haven for controlling the exchange of patient information with other organisations.

35.2.1 Mr Sherval highlighted:

- The issues that surrounded the Caldicott Guardian process and the level of work required to promote a positive culture of application and seeking advice.
- Work to reduce the volume of policies through a targeted approach, the development of technology and services to encourage best practice.

35.2.2 The Committee supported the management actions detailed within the report. Mr Sherval agreed to confirm with Dr McCallum that the timelines for agreed actions will be met. The Chair noted the need for relevant and appropriate policies to be workable, but that this did not excuse management responsibility to adhere to guidelines.

JS

Mr Sherval left the meeting.

35.3 Follow up of Management Actions – the Committee noted the previously circulated report that sets out progress in implementing Management Actions following internal audit reports.

35.3.1 Mr Woods highlighted that 11 final reports had been issued between April and October with those reports containing 32 Significant and 8 Important issues. Meanwhile, 23 Management Actions had been closed during the same period, although 20 of those 23 Management Actions (87%) had not been completed by their target dates. As at 31 October, Mr Woods reported that 67 Management Actions were outstanding of which 41 Management Actions (61%) have already passed their target dates.

- 35.3.2 Members considered the impact of the recent restructuring whereby the significant number of Management Actions for areas within University Hospitals Division had been reassigned to other directorates.
- 35.3.3 The Chair stated that it was unacceptable for there to be such a high level of outstanding actions. The effect of this was that the Board was accepting a wide range of risks, and was concerned that the Board did not have sight of these risks. He stated that the fundamental issue of agreed actions not being done by the agreed time needed to be addressed.
- 35.3.4 The Committee reflected on how to improve adherence to deadlines and ownership of the issues at an executive level. Members recognised emphasising the importance of positive dialogue between executive leads and Internal Audit during closure meetings as an important mechanism. Mrs Goldsmith felt this should be a robust discussion. The Chair noted that Internal Audit should not however come under undue pressure, and Mr Woods confirmed he was comfortable this was not the case, and he would not allow it.
- 35.3.5 The Chair noted the the failure to complete outstanding actions might be interpreted that managers do not take the issues seriously, and either or both the audit process or management focus is deficient. Following a detailed debate Mrs Goldsmith agreed to raise the subject with the Joint Management Team, and provide a management response to the Committee Chair within 4 weeks on the level of outstanding Management Actions, and how this will be addressed. It was also agreed that when Management Actions are sent out, the responsible Executive Director would be copied in **SG / DW**

36. Counter Fraud

- 36.1 Counter Fraud Services Referrals and Operations – November 2012 – the Committee noted the previously circulated report summarising open and recently closed referrals to Counter Fraud Services. Mr Woods provided updates on the main cases. Members acknowledged the positive approach to tackling fraud within NHS Lothian.

37. Corporate Governance

- 37.1 Training needs for Audit & Risk Committee Members – The Committee agreed to defer this item to the next meeting.
- 37.2 Update on Action Plan to Improve Awareness of and Compliance with Policies and Procedures – the previously circulated report to advised the Committee of the updated action plan in response to the internal audit report on compliance with policies and procedures (March 2011) was received.

37.2.1 Mr Payne advised the Committee that on 6 November the Joint Management Team approved 7 Mandatory Policy packages for use in the organisation, and agreed to the establishment of a policy distribution centre.

37.2.2 The Committee noted the progress made to date.

37.3 Backlog Maintenance and Statutory Compliance - Mrs Goldsmith gave a detailed verbal update on backlog maintenance specifically highlighting the recent board paper on the matter, the commitment of £10 million over the next 18 months and the proposed employment of a project manager to oversee the works.

37.3.1 The Committee acknowledged that the issue of backlog maintenance had been quantified in terms of estimating how much it would cost to complete all the identified work. The Committee expressed concern that what is not explicit is the level of risk that the Board is effectively accepting with regard to legal compliance, by certain maintenance being deferred as part of the agreed programme of work.

37.3.2 It was agreed that the Committee would receive a briefing on the Board's exposure to legal/ regulatory risks arising whilst maintenance work is not completed so that this could be quantified and presented to the Board. **SG**

37.4 Mapping of Activities to the Terms of Reference of the Audit Committee - the Committee reviewed the previously circulated report on the mapping of the activities to the Terms of reference, scrutinising each page to ensure that all areas of the terms of reference were routinely addressed.

37.4.1 The Committee agreed to accept the report subject to the inclusion of the proposed changes and subsequent updates for future meetings. Mr Payne agreed to take forward the necessary amendments to the report. **AP**

Mrs Goldsmith left the meeting.

38. Any Other Competent Business

38.1 Royal Hospital for Sick Children and Department of Clinical Neurosciences – The Committee agreed that the Finance and Resource Committee had responsibility for oversight of the Royal Hospital for Sick Children and the Department of Neurosciences Project. The Committee requested an assurance report from the Finance & Resources Committee on the risk management arrangements for the project. **GW**

38.2 Consolidation of Annual Accounts – the Committee discussed the consolidation of the Board's and the Edinburgh and Lothian's Foundation annual accounts. It was noted that the consolidation of the accounts would not have a material impact on the Board's presentation of the annual accounts in terms of giving a true and fair view to the reader; any areas

requiring clarification would be detailed within the notes. Members agreed to await further technical advice regarding the consolidation of the accounts.

39. Date of Next Meeting

- 39.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 4 February 2013 at 9.00am in Waverley Gate, Edinburgh. Committee members are asked to attend by 8.45 for the scheduled pre briefing, and to note that a 30 minute closed session will take place at the end of the meeting, to be attended by Risk, Internal Audit, and External Audit.

LOTHIAN NHS BOARD

AUDIT & RISK COMMITTEE

Minutes of the NHS Lothian Audit & Risk Committee Private Meeting held at 1.00 pm on Thursday, 15 November 2012 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr J Brettell (in the Chair); Councillor D Grant; Ms J McDowell.

In Attendance: Mr T Davison (Chief Executive); Mrs S Goldsmith (Director of Finance); Mr D Woods (Chief Internal Auditor); Ms L Livingstone (Internal Audit); Miss T Gillies (Associate Divisional Medical Director); Mr M Egan (Director of eHealth); Mr A Jackson (Assistant Director of Healthcare Planning); Mr H Purser (Head of Health Intelligence); Professor A McMahon (Director of Strategic Planning and Modernisation) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr Peacock, Dr Bryce, Councillor Henderson, Councillor Johnstone and Mr Ash. It was noted that under the existing Terms of Reference for the Committee, the required quorum was 3 members. Ms McDowell had kindly agreed to deputise at short notice so that the required quorum was achieved.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

31. Internal Audit NHS Lothian Waiting Times Arrangements – November 2012

- 31.1 The Committee noted the previously circulated embargoed report on the internal audit of NHS Lothian's waiting times arrangements and the detail therein.
- 31.2 Mr Woods & Ms Livingstone provided an overview of Internal Audits approach to the Audit, with the data analysis taking place between January to June 2012, taking into account the three control objectives set by Scottish Government (records accuracy, reporting, guidance). Mr Woods advised that periods of reported unavailability still appeared to need work. There followed discussion around the new forensic dashboard which enabled closer monitoring of key data items. Ms Livingstone outlined that over a 5 month period more than 100 staff had been interviewed, and initially it was a challenge to identify which staff dealt with waiting lists – some staff were not adequately trained, there were different interpretations of guidance provided, conflicting priorities with different lists, and too many staff appeared able to amend data. Mr Davison confirmed it was a very useful report
- 31.3 There was some discussion surrounding the reservations and conscious decision by management to defer the centralisation of waiting times administrative support until the backlog had been cleared, the functionality and effectiveness of the

standard operating procedures and training (which were currently 100 pages long). Improvements on these matters were detailed within the management actions and recommendations outlined in the audit report. In particular evidence relating to periods of unavailability was identified as an ongoing concern, and Mr Davison agreed to take this forward and ensure the management actions detailed within the report were implemented, and appropriate centralisation of waiting lists would now be progressed. An outline for delivery of the action plans would be brought forward for consideration at a future meeting.

31. The Committee received confirmation that executive colleagues were comfortable with the actions and confident that actions would be taken forward within the assigned timescales. Mr Davison confirmed that focus remained crisp and lapses in timescales would not be accepted. The Chair noted that some of the recommendations in the current report repeated those made 12 months ago, and that current management actions needed to be specific to ensure they are addressed this time round. Mr Davison confirmed that management could and would do that.
- 31.5 There was some discussion regarding the consultation and approval process for the generic standard operating procedures. It was noted that the standard operating procedures would be reviewed on an annual basis ensuring that the document evolves to address the pertinent issues, and aide staff effectiveness.
- 31.6 The Committee noted the tabled forensic dashboard and the assurances it affords in terms of raising awareness when errors are made in Trak so that they can be addressed by the relevant staff and flagged to executive colleagues. The Chair expressed his unease regarding adjustments to Waiting List numbers shown in past Board papers, and asked for assurance that the Gross numbers will be easily identifiable and trends apparent – it was confirmed these numbers are in Board papers from October 2012 onwards. Members requested that Mr Purser include brief narratives in the dashboard, which will examine retrospective data changes, and be reviewed every week by Management.
- 31.7 The Committee in summary noted that there was good progress and focus, received assurance from Management that they are focussed on this issue, expressed their thanks to Internal Audit for their work, and noted that Management will produce a further paper updating on progress to deliver the Management Actions outlined in the report, and that any concerns regarding the unavailability numbers will be rooted out. On this basis Committee agreed to recommend that the report go Mr Matheson, Director of Finance, Scottish Government Health Department for presentation to the Cabinet Secretary prior to being brought back to the Board for consideration.
- 31.8 Mr Payne would ensure that waiting times and subsequent Management Updates remains on the audit and risk agenda.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 4 February 2013 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr J Brettell (in the Chair); Mr M Ash; Ms K Blair; Mrs M Bryce; Councillor D Grant; Councillor R Henderson; Councillor C Johnstone and Mr B Peacock

In Attendance: Ms J Bennett (Clinical Governance & Risk Manager); Mr A Boyter (Director of Human Resources and Organisational Development); Mr G Curley (Director of Facilities); Mr T Davison (Chief Executive); Mr M Egan (Director of eHealth); Dr D Farquharson (Medical Director); Mrs S Goldsmith (Director of Finance); Mr A Jackson (Assistant Director of Healthcare Planning); Mr P Lodge (Audit Scotland); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Dr A McCallum (Director of Public Health and Health Policy); Mr D McConnell (Audit Scotland); Ms K McWilliams (Strategic Programme Manager - Older People); Mr A Payne (Corporate Governance & Value-for-Money Manager); Mr A Perston (Audit Scotland); Mr D Proudfoot (Deputy Chief Internal Auditor); Mr C Winstanley (Chairman); Mr D Woods (Chief Internal Auditor); and Miss L Baird (Committee Administrator).

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

40. Minutes of the Previous Meeting

40.1 Minutes of the Private Meeting held on 15 November 2012– previously circulated minutes of the meeting of the NHS Lothian Audit Committee held on 15 November 2012 were approved as a correct record subject to paragraph 31.2 being replaced with revised wording to be provided by Mr Woods. Mr Woods has since provided the following:

Mr Woods & Ms Livingstone provided an overview of Internal Audit's approach to the audit and the main findings raised in the report. Mr Woods explained that the audit had been conducted following an instruction from the Scottish Government to every health board, with the Terms of Reference set by the Scottish Government. Fieldwork for the audit had run from June to October, with data from January to June used to select samples of patients' records. Mr Woods highlighted that the scope of the audit did not include initiatives and actions to address waiting list backlogs.

Mr Woods advised that the audit concluded overall that, while various workstreams over the past year have improved how waiting lists are managed, further actions are required to strengthen the control framework and close some remaining gaps.

Mr Woods highlighted the 3 main issues raised in the report: waiting lists are managed by many teams, with some different practices being applied; the SOP does not fully reflect national guidance, with staff not being sufficiently trained; and examples and practices were found of Periods of Unavailability being applied that did not reflect national guidance.

Mr Woods explained that the report represented a higher-level version of more detailed issues that Internal Audit had drafted to initially present the audit's findings. As such, managers have been provided with more specific examples to support the issues in the report.

As an exception to the norm, Mr Woods advised that Management Responses have been included within the report, as managers wanted to present some additional context to the issues. Mr Woods added that the Management Responses do not necessarily reflect Internal Audit's views. Mr Woods noted that the Management Responses and Management Actions offer assurances that actions were already underway to address the issues before the report was published. Mr Woods highlighted the reference in the report to the Waiting Times Management Group which had made recommendations in November 2011 to improve the management framework, and noted the similarity between those recommendations and the main actions in the audit report. In particular, Mr Woods noted that the main Management Actions were around bringing waiting list teams under a single management structure, developing a training framework with a revised and improved SOP, and monitoring waiting lists more closely, primarily using the new Forensic Dashboard.

Ms Livingstone added that Internal Audit had interviewed more than 100 staff over a 5-month period, and initially identifying which staff dealt with waiting lists had been challenging. Ms Livingstone mentioned that not all staff who deal with waiting lists are part of waiting list teams, with staff such as Medical Secretaries being less likely to be aware of the SOP. Also, medics are not always aware of waiting list objectives, with doctors perhaps relying on secretaries to add patients to waiting lists. Ms Livingstone commented too on the range of staff who can use TrakCare to add patients or amend patients' status on waiting lists.

40.2 Minutes of the previous meeting held on 15 November 2012 – previously circulated minutes were approved as a correct record subject to the following amendments:

- Item 35.2 – Whilst the draft minutes state that “Caldicott approval is not always being sought (25% of download instances)”, Mr Woods pointed out that Internal Audit's sample testing had found that Caldicott approval had only been obtained for 25% of downloads. To correct the minutes, the section in parenthesis would be removed. In response to a query raised by Dr McCallum, Mr Proudfoot confirmed that the audit report was accurate.
- Paragraph 35.3.4 – To amend the final sentence to read:

“The Chair noted that Internal Audit should not however come under undue pressure. Mr Woods confirmed that Internal Audit can handle current levels of pressure, but Mr Woods would escalate the matter if there was a problem.”

40.3 With regard to paragraph 35.3.5, Mr Woods clarified that it is standard practice already for relevant executive directors to be copied in when draft and final reports containing Management Actions are sent out.

41. Matters Arising

41.1 Matters Arising from the Meeting of 15 November 2012 – the Committee noted the previously circulated paper detailing the matters arising from the Audit & Risk Committee meeting held on 15 November 2012, together with the action taken and the outcomes.

41.2 The Committee was advised that once the Whistle Blowing policy had been revised Mr Boyter would provide an assurance report on the systems for employees to raise matters of concern.

41.3 The Committee agreed to accept the Running Action Note.

42. Risk Management

42.1 NHS Lothian Corporate Risk Register – the Committee received the previously circulated update from the Risk Management Steering Group.

42.1.1 The second meeting of the Risk Management Steering Group has assessed the corporate risk register against the top priorities of the Joint Management Team. Future focus of the steering group would ensure that patient safety experience remained at the forefront of the Board’s priorities; work on litigation implications was ongoing.

42.1.2 There was some discussion on the communication and understanding of risk at the executive level, and how this could be translated for the benefit of all Board members. Members agreed that it was imperative that all Board members understood the level of risk NHS Lothian was exposed to and how these risks were mitigated as the Board moves forward. The Committee identified the following issues for further consideration by management:

- Ensuring that risk is properly quantified
- Understanding the nature of the risk itself.
- Some of the risks appear to have too many components to them, and they may require to be segregated in order to provide clarity.
- Some of the recorded target dates do not appear to be achievable
- It is not clear from looking at the corporate risk register who has responsibility for the “updates”, or what remedial action is being taken.

It was agreed that a workshop would be scheduled to develop the Board’s risk appetite and tolerance.

DF

42.1.3 The Committee considered how emerging risks would be quantified, in particular risks that may emerge during the integration of Health and Social Care. Members were advised that Mr Gabbitas had commissioned a piece of work on the governance of the integration of health and social care incorporating the emerging risks.

42.1.4 Ms Blair agreed to liaise with Ms Bennett out with the meeting to clarify the matters of detail she had raised in relation to the risk register.

JB

42.1.5 Members agreed that the Audit and Risk Committee would remain focussed on assurance on the overall system of risk management. Healthcare Governance interests remained significant in terms of the risks detailed within the register, however many risks have a bearing on the remit of other committees. Concerns were raised in relation to the significant pressure on the Healthcare Governance Committee given the dependency on the Committee to prioritise and mitigate the vast amount of work detailed within the corporate register.

42.1.6 The Chair requested that Mr Payne liaise with Ms Bennett to bring forward:

- a specific register for detailed scrutiny at the April meeting to give members a flavour of how risk was managed in a particular area, and how this relates to the overall system of risk management.
- An update on the progress of the proposed workshop.
- An update on the actions being taken with regard to the corporate risk register.

AP/JB

42.1.7 The Committee agreed to note the good work and progress to date.

43. **Internal Audit**

43.1 Internal Audit – Progress Report January 2013

43.1.1 Mr Woods gave a brief overview of the report and highlighted progress made with the 2012/13 audit plan. He advised that the inclusion of the audits of Waiting List Initiative Payments and Review of Information Received by the Board had resulted in the deferral of the MAPPA audit.

43.1.2 Mr Woods assured the Committee that the deferred MAPPA audit would be commenced shortly. He reminded the Committee that other audits pertinent to public protection (child protection and vulnerable adults) had been performed recently.

43.1.3 Mrs Blair noted the recent production of the Mid Staffordshire report, and Mr Woods advised the Committee that he would review the Mid-Staffordshire report when it was published, and consider whether there are any issues of relevance for updating the audit universe.

43.1.4 The Committee noted the Internal Audit Progress Report- January 2013.

43.2 Reports with “Fully Satisfactory” or “Satisfactory” ratings: - Older People’s Care (January 2013)

43.2.1 Mr Woods gave a brief overview of the report and explained that the audit had focused on how NHS Lothian has prepared and responded to the outcomes of HIS inspections. Mr Woods advised that the Nursing directorate has invested significant effort in preparing for inspections and responded positively to the reports’ findings.

43.2.2 Mr Woods advised that whilst there is an adequate framework in place, there is always the risk of isolated incidents occurring. In general, issues reported by HIS had already been identified by internal inspections and reviews, with many of the issues relating to isolated incidents rather than widespread practices.

43.2.3 The Committee acknowledged that there is a difference between the system for preparing for inspections, and the systems and processes that have an impact on the quality outcomes of older people’s care. It was noted that the physical outcomes are being considered in the “unscheduled care group” and assurance would be provided to the Healthcare Governance Committee.

43.2.4 Mr Davison highlighted that it has been acknowledged at the Board that the Royal Infirmary of Edinburgh has insufficient capacity, as do care homes in Edinburgh. It will take time to work through the solutions, and the Board could improve how it consciously accepts what risks it is carrying. This is relevant to the planned work to develop Risk Appetite and the proposed Board workshop.

Mr Curley entered the meeting.

43.3 Medicines Approval (October 2012)

43.3.1 The Committee received the report on Medicines Approval October 2012. Mr Proudfoot advised the Committee of the following 3 key issues:

- Maintaining security of the Scottish Medicine Consortium’s Forward Look publication, which contains commercially sensitive information from pharmaceutical companies.
- The need to shorten the current times taken by NHS Lothian to make a decision on a SMC recommendation, in line with Scottish Government guidance.
- Lack of process in respect of aligning budgets to the funding of medicines deemed appropriate for use, including those listed on the Lothian Joint Formulary.

43.3.2 Building upon the Management Actions within the report, Mrs Goldsmith agreed to take forward work to align budgets and funding with the decision process and resource implications when the Formulary Committee approves medicines.

- 43.3.3 It was noted that the Individual Patient Treatment Request (IPTR) Panel and off label medicines would be picked up by a separate audit on Prescribing Practices and Costs.
- 43.3.4 The Committee was advised that the impact of SMC decisions is reflected within the University Hospital Division Risk Register.
- 43.3.5 The Medical Director confirmed that he is comfortable with the agreed Management Actions and the timescales to achieve them.

Mr Jackson entered the meeting.

43.4 Waiting List Initiative Payments (January 2013)

- 43.4.1 Mr Woods explained that the audit had focused on compliance with the Protocol for Waiting List Initiative Work released by Human Resources. He mentioned that from the sample taken 95% of payments for consultants had been made at the correct rate or thereabouts, while 50% of payments appear to have been made at the correct or acceptable rates for doctors below consultant grades. The committee clarified that in general errors related to underpayments rather than overpayments.
- 43.4.2 Mr Boyter advised the Committee that Human Resources had taken this opportunity to clarify areas of the protocol. Following receipt of comments from the British Medical Association, the updated protocol will be rolled out across the Board and confirmation of receipt will be sought from all relevant staff. Mr Boyter confirmed that further work has been undertaken to clarify the rates of pay and confirm the Associate Divisional Medical Directors who are the appropriate signatories for authorising these payments. The Payroll office has received an instruction to return claims that have not been properly authorised.
- 43.4.3 Members were assured that Management Actions were on track for completion. The report to the April meeting of the Audit and Risk Committee about outstanding Management Actions should confirm that the actions have been closed.
- 43.4.4 Mr Boyter suggested that compliance with the protocol could be re-audited at a later date to confirm that the agreed Management Actions have been successful in addressing the issues.
- 43.4.5 The Chair thanked Mr Boyter for a very comprehensive, positive and proactive update which he felt gave the Committee exactly the level of response and assurance they were seeking

43.5 Draft Internal Audit Plan 2013/14

- 43.5.1 Mr Woods gave a detailed overview of the proposed 2013/14 plan, and described the process followed to prepare it.

43.5.2 After a few questions on specific points, the Committee approved the internal audit plan for 2013/14.

43.6 Follow-up Management Actions

43.6.1 The Chair requested that in future all late Committee papers should be circulated as distinct items, rather than issuing an updated version of the previously distributed package of papers. The Board has previously agreed this protocol.

43.6.2 Mr Woods reported that significant advances have been made over recent months towards closing or progressing outstanding Management Actions. As at 29 January 2013, 40 Management Actions remained outstanding, with the majority (circa 80%) expected to be closed over the next 2 months. The Committee noted the significant progress to date. Mr Boyter provided assurance that Human Resources could demonstrate that significant progress had been made on all actions within their remit.

43.6.3 Mr Davison confirmed that he could not give assurance to the Committee that the issue of outstanding Management Actions would not occur again. He advised the Committee that there is limited management capacity in the organisation and managers are constantly seeking to resolve urgent issues. There is always the potential for outstanding actions to be delayed in this context.

43.6.4 The Committee agreed to receive regular updates from the Chief Internal Auditor on priority issues and outstanding actions.

43.6.5 The Chair thanked the Chief Executive and his team for the extensive work that has led to the progress that has been made to date, recognising the conflicting priorities and pressures on management.

44. Counter Fraud

44.1 Counter Fraud Referrals and Operations (January 2013) Mr Woods noted that 7 referrals and 5 operations are currently open and provided updates on the main cases.

44.1.1 The Committee accepted the update .

45. External Audit

45.1 Review of Internal Audit –.

45.1.1 Mr McConnell reported that the review of internal audit has led to the conclusion that the internal audit service operates in accordance with the Government Internal Audit Standards, and has appropriate documentation standards and reporting procedures in place.

45.1.2 Mr McConnell advised that the good standard of work and processes in place allowed Audit Scotland to place reliance on the work of the Chief Internal Auditor and the Internal Audit Team.

45.2 NHS Lothian Annual Audit Plan 2013/13 –

45.2.1 Mr Perston gave the Committee a detailed presentation on the draft audit plan. He highlighted that the plan would remain in draft until the end of February 2013, and invited members to provide any comments directly.

45.2.2 The Committee accepted the NHS Lothian Annual Audit Plan 2013/14 and approved the fees which reflected a small reduction on the previous years fees..

46. Corporate Governance

46.1 Waiting Times Action Plan –

46.1.1 Mr Jackson presented a detailed update on the actions taken in response to the Internal Audit report on NHS Waiting Times Arrangements. Members were reminded that resolution of the fundamental issues would not be immediate, and during this time the Board would remain vigilant as it moves forward with addressing waiting times.

46.1.2 Mrs Goldsmith highlighted that the key issue is the consistent application of procedures, which presents a considerable challenge in terms of training of staff. This will be an issue that is with the organisation for a long time.

46.1.3 In response to a query from the Chair, Mr Egan informed the Committee that the timeline for creating a centralised waiting list management function (scheduled over 2 years) is based on the level of expertise available, and the capacity to effect change. This process of significant change has to be progressed whilst continuing to manage the current flow of patients. Mr Egan confirmed that the project will proceed with all due care, as it is possible that currently unforeseen issues/problems from differing departmental practices will present themselves as the project progresses.

46.1.4 Mr Davison underlined that this is a large and ever-changing project. The procedures are extensive, and the issue of staff turnover means that assurance on compliance will remain a constant challenge. He confirmed that there is no succession plan to deal with the loss of staff at the moment. He highlighted that it would be appropriate for Internal Audit to follow up on whether or not training issues are being addressed.

46.1.5 The Committee agreed that the long-term goal of a centralised team was appropriate. The Committee was assured that previous resistance to the centralisation of the management of waiting times had dissipated following discussions at the Joint Management Team and extensive discussions with the Directors of Operations. The Committee noted the intention to hold a

Board workshop on Waiting Times and reporting and the Management Information now available – to be scheduled during March.

- 46.1.6 The Committee acknowledged the Dear Colleague letter (9 January 2013) which requires the Chair of the Committee to provide a letter of assurance that all locally identified recommendations for improvement have been completed by 31 March 2013. Mrs Goldsmith advised that a further report shall be presented to the April meeting for consideration before a response to the Scottish Government is issued. The report would include the draft response outlining action taken to address the concerns detailed within the letter of 9 January 2013, but it was noted that whilst many actions will show progress, it is unlikely that we will be able to give the assurance requested in the form of confirming that the actions “have been completed”..

Mr Egan left the meeting.

46.2 Integration of Health and Social Care Services –

- 46.2.1 Ms McWilliam presented a report on Integration of Health and Social Care Services to advise the Committee of the National and Lothian position regarding integration, as well as providing an update on progress within associated partnerships.

- 46.2.2 Dr Winstanley expressed concern that the report did not adequately capture the scale / radical change that the integration agenda brings. It requires the patient pathway to be moved out of the acute sector, with a material impact on staffing and resources. There are significant risks to the organisation with regard to how this organisational change is managed.

- 46.2.3 Ms Kay commented that it is important that the organisation has the appropriate level of ambition in order to achieve what the integration agenda is intended to deliver. The radical change will require existing boundaries to be redefined.

- 46.2.4 Mrs Bryce noted the need for training for people who work effectively together in the new integrated structures

- 46.2.5 Ms McWilliam agreed to relay the Committee’s feedback to the leadership groups as they move forward with the programme for integration.

46.3 NHS Lothian Patients’ Funds – Annual Accounts 2011/12 –

- 46.3.1 Mrs Goldsmith presented the draft NHS Lothian Patients’ Funds – Annual Accounts. She highlighted that the external auditors, KPMG, had offered an unqualified opinion on the Patients’ Funds..

- 46.3.2 The Committee agreed to recommend to the Board that:

- the Chairman and Chief Executive sign the “Statement of Lothian NHS Board Members’ Responsibilities” on the Board’s behalf.

- the Director of Finance and the Chief Executive sign the “Abstract of Receipts and Payments” (SFR 19.0).
- the Board approve the draft Patients’ Private Funds accounts for the year-ended 31 March 2012.
- the Chief Executive sign the letter of representation on the Board’s behalf.

46.4 Legal Risk Exposure Arising From Estates Maintenance Backlog –

- 46.4.1 Mr Payne presented this paper. He explained that whilst the initial intention was to quantify the legal exposure arising from estates maintenance backlog, it is not possible to do so in a meaningful way. The paper does set out the relevant legislation, and the potential legal penalties should the Board breach the law. The paper also highlighted that there are 2,383 individual items of work identified in the current maintenance backlog programme.
- 46.4.2 Mr Payne explained the focus of management is the fundamental risks, such as the outbreak of fire, or generally making a facility safe. Whilst a survey may identify where a building is no longer compliant with a particular piece of law, the survey is an objective exercise that highlights issues independently from what else is going on in the organisation. Management will take appropriate action to reduce the impact and likelihood of a fundamental risk, rather than necessarily targeting the maintenance issue flagged by the survey. The objective is to ensure safety.
- 46.4.3 Mr Payne advised the Committee that further work is underway to better understand the nature of risk associated with the backlog. A workshop had been conducted which produced a model to re-score and weight risks in line with the Board’s priorities. This is related to work which has started to define the Board’s risk appetite.
- 46.4.4 The Committee was advised that the Finance & Resources Committee provides oversight on this issue.
- 46.4.5 The Committee noted that the population of backlog maintenance included items associated with premises that will be eventually replaced.
- 46.4.6 The Committee noted progress to date and anticipated future reports on this matter. The Chair noted it was vital that the Board understood the risks inherent in any schedule of backlog maintenance in line with the Board’s risk appetite.

Dr Farquharson left the meeting.

46.5 Review of Private Patient Activity —

46.5.1 Mrs Goldsmith presented the report, which confirmed that the current level of private patient activity has a minimal impact on capacity and is no distraction of resource. She advised that stopping the activity would have an adverse financial impact on the Board, and consequently the Joint Management Team has decided to maintain private patient work out with areas of constraint.

46.5.2 Work to address the following area was ongoing:

- Recording private patients on TRAK.
- A review of the price list for private patient treatments.
- A review of processes and procedures for the management of private patients treatments.

46.6 Governance Statement – the Committee noted the previously circulated report that presented the letter on the governance statement to the Committee. Mr Payne presented the report noting the arrangements from previous years and the requirement placed on the Audit and Risk Committee to collate layers of assurance to support the governance statement as part of the delivery of the Annual Accounts.

46.6.1 The Committee discussed and considered if further levels of assurance were needed, and asked whether any material events or issues had arisen that indicated that current levels and sources of assurance had proved inadequate. No such issues could be identified and therefore the Committee agreed that it was content to receive the established suite of assurance reports to support the 2012/13 Governance Statement.

46.7 Mapping of Activities to the Terms of Reference of the Audit Committee - the Committee noted the report and agreed to review this periodically.

46.8 Training needs for Audit & Risk Committee Members –

46.8.1 The Committee members confirmed that they would like to take part in training, as outlined in “The Effective Audit Committee” schedule. The Chair agreed to organise the event which was subsequently organised for 3rd April.

JMB

47. Items for Information

47.1 Technical Brief Overview – the previously circulated Technical Brief and the information therein was noted. Mr Martin specifically drew attention to the cross-sectorial (general) and carbon accounting sections of the report.

48. Reflection on the Structure and Effectiveness of the Meeting

48.1 There were no comments on the structure and effectiveness of the meeting.

49. Any Other Competent Business

49.1 There were no other items of competent business.

49.2 The Committee requested that Internal Audit, External Audit and the Risk Manager stay to attend a closed session meeting with the Committee, in accordance with the Terms of Reference for the Committee.

50. Date of Next Meeting

50.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Tuesday, 2 April 2013 at 9.00am in Waverley Gate, Edinburgh. Committee members only are asked to attend by 8.45 for the scheduled 15 minute pre-meeting.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Tuesday, 2 April 2013 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr J Brettell (in the Chair); Mr M Ash; Ms K Blair; Councillor D Grant; Councillor R Henderson and Councillor C Johnstone.

In Attendance: Ms L Bream (Shadowing Director of Finance); Mr T Davison (Chief Executive); Mrs S Goldsmith (Director of Finance); Mr A Jackson (Assistant Director of Healthcare Planning) (for item 8.1); Ms L Martin (Chief Nurse, REAS) (for item 1); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D McConnell (Audit Scotland); Ms D Milne (Deputising for Dr McCallum); Mr T Montgomery (Director of Operations) (for item 1); Mr A Perston (Audit Scotland); Mr D Woods (Chief Internal Auditor); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Ms Bennett, Dr Bryce, Dr Farquharson, Dr McCallum and Mr Payne. N.B. Dr Bryce and Ms Bennett were unable to attend due to the Healthcare Governance Committee meeting at the same time.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Mr Ash declared links between his employer the Accounts Commission and the external auditors Audit Scotland.

1 Royal Edinburgh Hospital & Associated Services Risk Register

1.1 Mr Montgomery and Ms Martin gave a detailed overview of the individual risk register for the Royal Edinburgh Hospital Services and Associated Services excluding learning disabilities and substance misuse. Ms Martin assured the Committee that the report only provided a snapshot of the high and medium level risks within the Royal Edinburgh Hospital and Associated Services. Meanwhile, matters such as self harm including suicide had been deemed low risk to reflect mitigating factors that have been put in place, but were incorporated within the full risk register.

1.2 The Committee were assured that there was consistency across the Board in relation to the complaint process. It was noted that following the centralisation of the complaints team and the realignment of line management further work to develop working relationships that would inform the proposed restructure and rapid response team approach was required. Mr Payne would liaise with Mr Boyter and Mr Wilson to bring forward a brief report on risks associated with the Complaints department for the June meeting.

AP/AB/SW

- 1.3 It was noted that child and adult protection would remain high on the risk register given the volume and the complexity of the patients it refers to. Ms Martin assured the Committee that the service would remain vigilant as it moves forward with the reduction of incidents within vulnerable patient groups.
- 1.4 There was some discussion in respect of the positive steps taken to mitigate risk within the Royal Edinburgh Hospital and the Associated Services. Mr Montgomery advised the Committee on proposals to create an intensive psychiatric care unit at the Royal Edinburgh Site. Mr Davison welcomed the proposal. He encouraged Mr Montgomery and Ms Martin to take advantage of the period of planning to factor in the intensive psychiatric care unit into the Royal Edinburgh Hospital Acute Inpatient Services. Ms Martin advised that discussions to take this matter forward in under phase 2 were ongoing.
- 1.5 Mr Brettell asked Mr Montgomery and Ms Martin if the Risk Log/Management process was generally helpful, and they confirmed it was really useful to their day to day activities. Mr Brettell thanked them for volunteering to present their Risk log and for their informative and educational report and they left the meeting.

2 Risk Management

2.1 NHS Lothian Corporate Risk Register

- 2.1.1 Mr Davison advised the Committee of the following matters raised and agreed during discussions at the March Board meeting:
- The Board would now receive quarterly reports on the corporate risk register for the next year. Any critical risk would be reported by exception as and when they arose.
 - Members were concerned that the complexities of the top 16 risks were being masked by the language that defined them. The Risk Management Steering Group had been tasked with identifying an appropriate balance.
 - Further work to provide context in relation to the likelihood and subsequent impact of the high and medium risks the Board faces. The Risk Management Steering Group had been tasked with developing detail and narrative for each risk.

Mr Brettell welcomed Mr Davison's update on the actions following discussion at the March Board meeting. He noted that the Audit and Risk Committee would require sight of the top 16 risk with detailed mitigation marked against each risk, in addition following an enquiring from Mr Ash he proposed that those risks that had a gross minus net score higher than 9 be brought forward to the Committee for oversight and review.

JBenn

- 2.1.2 Members noted that a Board Risk session had been proposed for May 2013. Mr Davison agreed to clarify what was happening and feedback to the Committee.

TD

- 2.1.3 The non-executive members of the Committee expressed concerns in respect of the increasing volume and quality of the reports received at Board Committees making it more difficult to assess underlying risk. Mr Brettell

requested that Risk Management Steering Group look into this matter on behalf of the Audit and Risk Committee.

RMSG

2.1.4 Following the assurance review the Committee raised concerns that the volume risk attributed to the Healthcare Governance was not sustainable noting the potential for overload and failure that may arise if action was not taken to resolve this matter. Mr Davison assured the Committee that this had been recognised at Board level and action to resolve this matter had commenced. He went on to advise the Committee of recent discussions in respect of the Community Health Partnerships and delegation of responsibility under their proposed governance role with the over arching responsibility remaining within the Healthcare Governance Committee. It was agreed that work to develop an Acute Hospital Services Committee and the Governance roles within the Community health Partnerships as they move forward into Health and Social Care Partnerships would be raised at the next Board development day.

TD

2.1.5 Complaints Management was reviewed with particular reference to the information available to the Board. Mr Davison agreed it was currently a concern, and that Stuart Wilson and Alan Boyter were developing reporting. The Committee asked for a paper from Mr Wilson and Mr Boyter to be presented at the June Committee meeting.

TD

2.1.6 The Committee agreed that it would be beneficial if all future reports distinguish why they were being presented to the Committee and any assurances sought should be specifically detailed within the recommendations.

ALL

2.1.7 Members requested that in future all appendices would be bookmarked in addition to the main items within the final PDF and the agenda split into relevant sections i.e. assurance, decision, for information etc.

LB/AP

3 Minutes of the Previous Meeting

3.1 Minutes of the previous meeting held on 4 February 2013– previously circulated minutes were approved as a correct record subject to the following minor amendments:

- External Audit Section: Mr Perston's and Mr McConnell's names be reversed.
- 46.3.9: Should read Ms Blair not Ms Kay.

4 Matters Arising

4.1 Matters Arising from the Meeting of 4 February 2013 – the Committee noted the previously circulated paper detailing the matters arising from the Audit & Risk Committee meeting held on 4 February 2013, together with the action taken and the outcomes.

4.2 Member were advised that following the incorporation of the guidelines a report on the mapping of activities to the terms of reference of the Audit and Risk Committee would be brought forward for consideration in June.

AP

- 4.3 In respect of Whistleblowing, guidance had just been received, and this was expected to be actioned for the next Committee meeting in June.
- 4.4 The Committee agreed to accept the Running Action Note.

5 Internal Audit

5.1 Internal Audit – Progress Report January 2013

5.1.1 Mr Woods gave a brief overview of the report and highlighted progress made towards completing the remaining audits from the 2012/13 audit plan. Meanwhile, early progress has been made in starting audits from the 2013/14 plan.

5.1.2 The Committee noted the Internal Audit Progress Report - March 2013.

5.2 Reports with “Fully Satisfactory” or “Satisfactory” ratings: Child Protection – January 2013; Staff Performance – January 2013; Patient Records Management – January 2013; Staff Performance Management (Medical) – February 2013; Review of Information Received by the Board – March 2013.

5.2.1 Mr Woods went through each report individually giving a brief overview and highlighting the main issues that had been identified during the audits.

5.2.2 Child Protection – In response to a question, Mr Woods advised that delays in removing staff leavers’ access rights to the Child Protection register was mitigated by employees having their access rights to the network removed, as well as access to the register being restricted to a small number of NHS computers.

5.2.3 Patients’ Records Management – Members noted that following the previous audit NHS Lothian had spoken to Balfour Beattie Workplace regarding the granting of access to the Health Records library at the Royal Infirmary. However, Balfour Beattie had pointed out that referring to Health Records before granting access was not practical. The issue is to be raised again with Balfour Beattie.

5.2.4 There was some discussion surrounding the Data Protection Act and the length of time that electronic records are kept on TRAK. It was noted that the Information Governance Assurance Board had been sighted on the matter and agreed that, for practical purposes, records are to be retained on TRAK indefinitely. Recognising that TRAK is a national system, the Director of eHealth has agreed to approach the supplier of TRAK about the possibility of developing an archiving function.

5.2.5 Staff Performance Management – Medical – Mr Woods advised that whilst a policy and procedure is in place, line managers were not checking registrations at the stipulated time. Instead, registrations are being checked when annual appraisals are carried out, by which point registrations may have lapsed. Mr Woods noted that Dr Farquharson had commissioned a specific check during June and July 2012 which confirmed that all doctors were registered.

Also, Dr Farquharson has put in place a programme of monthly sample checks of registrations, as well as undertaking to review current practices. It was agreed this was a pragmatic approach, but Mrs Goldsmith would follow this up

SG

5.2.6 Review of Information Received by the Board – Members noted the strategic approach taken in response to the report on Review of Information Received by the Board issued in April 2012, with the 19 actions brought together into 4 main actions within the Management Culture Work Programme. Mr Woods advised that the 19 actions have either been completed or are being progressed, with the restructuring of governance committees having set the foundation to provide strengthened assurances.

5.2.7 The Committee agreed to accept the reports with “Fully Satisfactory” or “Satisfactory” ratings: Child Protection – January 2013; Staff Performance – January 2013; Patient Records Management – January 2013; Staff Performance Management (Medical) – February 2013; Review of Information Received by the Board – March 2013.

5.3 Follow-up of Management Actions

5.3.1 Mr Woods reported that since the last update, Internal Audit had issued 4 final reports containing 5 Significant and 5 Important issues. During the same period, 23 Management Actions had been closed of which 52% had missed their target dates. As at 19 March, 27 Management Actions remained outstanding, compared to 40 in February and 67 in November. Also, Mr Woods noted that the percentage of Management Actions being closed by their target dates has been steadily improving.

5.3.2 Mr Brettell acknowledged the improving trend in relation to Management Actions and expressed his appreciation for the extensive work that has led to the progress that has been made to date, reiterating that he recognised the conflicting priorities and pressures on management within NHS Lothian.

5.3.3 Mr Brettell requested that Mr Woods includes a brief summary of the headline figures for outstanding Management Actions in future versions of Internal Audit Progress Reports presented at each Committee meeting.

5.3.4 The Committee agreed to accept the report on follow-up of Management Actions and the information therein.

5.4 Public Sector Internal Audit Standards

5.4.1 Mr Woods advised the Committee that as at 1 April 2013 the Scottish Government had adopted new Public Sector Internal Audit Standards. From the results of the mapping exercise presented by Mr Woods, the Committee agreed to note the Internal Audit team’s compliance with the standards.

6 Counter Fraud

6.1 CFS – Referrals & Operations – March 2013

6.1.1 Mr Woods introduced the previously circulated summary of CFS referrals and operations as at March 2013. Also, Mr Woods highlighted progress with the National Fraud Initiative, as outlined in the Internal Audit Progress Report.

7 External Audit

7.1 Review of Internal Controls 2012/13

7.1.1 Mr Perston spoke to the previously circulated report; he advised that the purpose of the report was to provide assurance that there were adequate internal controls and highlight any material findings. He noted that the main concerns had related to the reconciliation of payroll to the Human Resources system following the implementation of the new Human Resources system being deferred until it was fit for purpose. Human Resources were seeking to implement interim checks until this matter was resolved. Mrs Goldsmith agreed to bring forward a brief paper on this matter to the June meeting for consideration.

SG

7.1.2 Mr Perston advised that the good standard of work and processes in place allowed Audit Scotland to place reliance on the work of the Finance Department, Chief Internal Auditor and the Internal Audit Team.

7.1.3 The Committee agreed to accept the report on the review of internal audit controls from Audit Scotland.

8 Corporate Governance

8.1 Waiting Times Progress and Performance –

8.1.1 Mr Jackson presented a detailed update on the actions taken following the submission of the Waiting Times actions discussed previously at the meeting in November and February. He drew attention to the draft letter in appendix 3 and sought clarity on the reporting procedures as the Board moves forward with waiting times.

8.1.2 The Committee agreed to accept the letter in appendix 3 subject to the inclusion of the following amendments:

- Issue 3 - should be explicit in relation to the availability statistics.
- The report should mention the forensic dashboard as a key tool in improving the accurate reporting of waiting times.
- Issue 5 – Should state that the session was held on 25 March and a follow-up session would be held after the April Board Meeting.
- Issue 5 - remove last line about action being complete.
- Add comment regarding the development of the SOPs to comply with the requirements of the Treatment Time Guarantee.

AJ

8.1.3 The chair requested that all future updates on Waiting Times at the Audit and Risk Committee be a brief summary highlighting progress with training, statistics and waiting list; the Board would remain to monitor progress against the waiting times actions from the internal audit report.

AJ

8.1.4 Following the inclusion of the changes to the letter in appendix 3 Ms Goldsmith would circulate it to Scottish Government colleagues to seek an opinion on the content and language before its formal submission.

SG

8.1.5 The Committee acknowledged the progress to date against the actions from the Internal Audit Report on Waiting Times arrangements.

8.2 Accounting Policies –

8.2.1 The Committee noted the report that advised them of the changes to the accounting policies and the changes detailed therein. The Committee agreed to accept the minor changes to the standard accounting policies and recommend to the Board that they are fit for purpose and be adopted at the April 2013 Board meeting.

8.3 Year End Accounts Process –

8.3.1 The Committee noted the report that set out the year end accounts processes and arrangements that underpinned the production of the Annual accounts and the information therein.

8.3.2 In response to Ms Blair's query regarding the release of guidance on the presentation of Board Annual Accounts Mr Martin advised that no guidance had been received in relation to the presentation of the accounts.

8.3.3 Members agreed that the annual accounts be issued in a timely matter giving new Non-Executive Board Members time to digest the information detailed therein and provide material comments in advance of the meeting. Mr Martin proposed that it would be prudent of the new non-executive members to look at the Annual Accounts 2011/12 which are in the public domain. Members agreed that any comments provided in advance of the June meeting would be shared with all members.

SG/AP/ALL

8.3.4 Mr McConnell advised the committee that Audit Scotland would circulate ISA 260 at the earliest opportunity.

DM

8.4 Move to Lothian Financial Management System to National Single Instance –

8.4.1 Ms Goldsmith briefed the Committee on the move to a single general ledger for Scotland from 1 April 2013. She advised that following the move to a single general register the two key issues were that:

- NHS Lothian would lose their disaster recovery fund.
- That the national systems team would be hosted by another board.

8.4.2 The Committee noted the impact of the loss of the disaster recovery fund and agreed to await a report on continuity planning from Mrs Goldsmith before discussing the matter further.

SG

8.5 Update on National Performance Audits –

8.5.1 The Committee noted the update on national performance audit and the information therein.

8.6 NHS Lothian Audit and Risk Committee – Meeting Timetable and Associated Agenda Items –

8.6.1 The Committee noted that the meeting Timetable and Associated agenda items would be:

Late Winter Meeting (February)

Meeting Specific

- **External Audit Plan** - consider the external auditor's plan to review the annual accounts for the preceding financial year
The Board's external auditors are appointed by the Auditor General for Scotland, and are required to discharge their responsibilities under the Code of Audit Practice (which is approved by the Auditor General). The external audit plan considers the risks and priorities facing NHS Lothian, current national risks relevant to local circumstances, the impact of changing international auditing and accounting standards, and issues brought forward from previous audit reports.
- **External Audit Plan** - receive a report from the external auditors on their review of the Board's internal audit function, and the extent to which the external auditors will rely on their work.
- **Internal Audit Plan** - consider and approve the internal audit plan and intended outputs for the year ahead.
- **Other** - consider the latest Scottish Government guidance on the Governance Statement.
- **Private session** - with external audit, internal audit and the clinical governance & risk manager

Routine

- **Internal Audit Reports** - receive any internal audit reports that have been completed since the last meeting, as well as an overall progress report on the current year plan.
- **Counter Fraud** - receive an update from the Chief Internal Auditor (in his capacity as Fraud Liaison Officer) on Counter Fraud Service Referrals & Operations.
- **Agreed Audit Actions Update** - receive a report from the Chief Internal Auditor on the implementation of agreed audit actions.
- **Corporate Risk Register** - review the Corporate Risk Register and any supplementary reports on risk management that it may require, including a "deep dive" as agreed.
- **Assurance Needs** – management reports prepared in response to requests from the Committee.

Spring Meeting (April)

Meeting Specific

- **Accounting Policies** - will review the Board's accounting policies.
- **Governance Statements** - may receive assurance reports to support the Governance Statement (if they are ready).

- **Audit Scotland** - will receive a 6 monthly update on the distribution and consideration of Audit Scotland national performance audit studies.
- **Terms of Reference Review** - perform a preliminary review of its Terms of Reference and its own effectiveness.

Routine

- **External Audit Reports** - receive any external audit reports that have been completed since the last meeting
- **Internal Audit Reports** - receive any internal audit reports that have been completed since the last meeting, as well as an overall progress report on the current year plan.
- **Counter Fraud** - receive an update from the Chief Internal Auditor (in his capacity as Fraud Liaison Officer) on Counter Fraud Service Referrals & Operations.
- **Corporate Risk Register** - review the Corporate Risk Register and any supplementary reports on risk management that it may require, including a “deep dive” as agreed.
- **Agreed Audit Actions Update** - receive a report from the Chief Internal Auditor on the implementation of agreed audit actions.
- **Assurance Needs** – management reports prepared in response to requests from the Committee.

Summer Meeting (June)

Meeting Specific

- **Annual Accounts** - review the annual accounts for the preceding financial year, including the Governance Statement and the associated sources of internal assurance which include:
 - Annual reports from other Board Committees key to governance and internal control, namely Healthcare Governance, Staff Governance, Information Governance and Finance & Resources.
 - Annual report on risk management
 - Assurance Statement on Best Value
 - Summary of assurances from executive directors that adequate & effective systems of risk management and internal control are in place for their area of responsibility.
 - SFR 18.0 – Summary of Losses and Special Payments for the Year
- **Chief Internal Auditors Annual Report** - will receive and consider the Chief Internal Auditor’s annual report.
- **National Services Audit** - receive a summary of the opinions of the service auditor, in relation to the systems managed by NHS National Services Scotland on the Board’s behalf.
- **External Audit** - receive and consider the *Report to those Charge with Governance* on the external audit for the preceding financial year, and the proposed external audit opinion therein.
- **Governance Statement** - review the draft Governance Statement, and recommend any required changes after consideration of the above assurances.
- **Reps & Warranties** - review the draft Representation Letter to the external auditors, and make a recommendation to the Board.
- **Committee Annual Report** - review and finalise its own annual report, including its recommendations to the Board with regard to the approval of the annual accounts.

- **Health & Wellbeing Audit Letter** - will review the Committee Chair's draft letter to the Scottish Government's Health & Wellbeing Audit Committee on matters of significant interest

Routine

- **External Audit Reports** - receive any external audit reports that have been completed since the last meeting
- **Internal Audit Reports** - receive any internal audit reports that have been completed since the last meeting, as well as an overall progress report on the current year plan.
- **Counter Fraud** - receive an update from the Chief Internal Auditor (in his capacity as Fraud Liaison Officer) on Counter Fraud Service Referrals & Operations.
- **Corporate Risk Register** - review the Corporate Risk Register and any supplementary reports on risk management that it may require, including a "deep dive" as agreed.
- **Agreed Audit Actions Update** - receive a report from the Chief Internal Auditor on the implementation of agreed audit actions.
- **Assurance Needs** – management reports prepared in response to requests from the Committee.

Autumn Meeting (September/October)

Meeting Specific

- **Private Patients Funds** - review the audited patients' private funds annual accounts for the preceding financial year, and make a recommendation to the Board.
- **Audit Scotland National Performance** - will receive a 6 monthly update on the distribution and consideration of Audit Scotland national performance audit studies.
- **Private session** - with external audit, internal audit and the clinical governance & risk manager

Routine

- **External Audit Reports** - receive any external audit reports that have been completed since the last meeting
- **Internal Audit Reports** - receive any internal audit reports that have been completed since the last meeting, as well as an overall progress report on the current year plan.
- **Counter Fraud** - receive an update from the Chief Internal Auditor (in his capacity as Fraud Liaison Officer) on Counter Fraud Service Referrals & Operations.
- **Corporate Risk Register** - review the Corporate Risk Register and any supplementary reports on risk management that it may require, including a "deep dive" as agreed.
- **Agreed Audit Actions Update** - receive a report from the Chief Internal Auditor on the implementation of agreed audit actions.
- **Assurance Needs** – management reports prepared in response to requests from the Committee.

Early Winter Meeting (November/December)

This meeting has been cancelled in previous years due to limited agenda items. Nevertheless the meeting is scheduled at the start of the year just in case it is required, and a decision is made nearer the time whether it needs to proceed.

Meeting Specific

• No Specific Matters

Routine

- **External Audit Reports** - receive any external audit reports that have been completed since the last meeting
- **Internal Audit Reports** - receive any internal audit reports that have been completed since the last meeting, as well as an overall progress report on the current year plan.
- **Counter Fraud** - receive an update from the Chief Internal Auditor (in his capacity as Fraud Liaison Officer) on Counter Fraud Service Referrals & Operations.
- **Corporate Risk Register** - review the Corporate Risk Register and any supplementary reports on risk management that it may require, including a “deep dive” as agreed.
- **Agreed Audit Actions Update** - receive a report from the Chief Internal Auditor on the implementation of agreed audit actions.
- **Assurance Needs** – management reports prepared in response to requests from the Committee.

8.6.2 Mr Woods requested that his annual report on Fraud, Referrals and Operations for the year ending 31 March be added under the Counter Fraud section of the June agenda.

AP

8.6.3 Members agreed that the June 2013 meeting should be extended to 1 pm take into account the volume of business involved in approving the annual accounts. The Committee Administrator agreed to discuss organising a business lunch with the Corporate Services Manager out with the meeting.

LB

8.7 Review of Terms of Reference of Audit and Risk Committee and Statement of Assurance Needs –

8.7.1 The Committee noted the previously circulated document that tracked the changes to the terms of reference and statement of assurance needs.

8.7.2 The Committee agreed that the changes were reasonable clarifications and suitably minor that they could be accepted and submitted to the Board for adoption at its next meeting.

Councillor Henderson and Ms Blair left the meeting.

8.8 Advice on Seeking Assurance on Quality and Internal Control –

8.8.1 The Committee reviewed the draft guidance on seeking assurance on quality and internal controls; no feedback was provided at this time.

8.9 Preliminary Draft of Audit and Risk Committee Annual Report 2012/13 –

8.9.1 The Committee reviewed the draft Audit and Risk Committee Annual Report 2012/13. Members requested the following amendments:

- Page 2, and in October.
- Page 4 include 3 years subject to ten year.
- Page 6 Make risk a separate item in point 3.

AP

8.9.2 The Committee agreed to accept the draft Annual Report subject to the addition of the changes discussed.

9 Items for Information

9.1 Annual Notification to Scottish Government Health and Wellbeing Audit Committee –

9.1.1 Ms Goldsmith advised the Committee that this item offered an opportunity to advise the Health and Wellbeing Audit Committee. Members acknowledged the opportunity and requested that Ms Goldsmith highlight this matter at the April Board meeting.

SG

10 Any Other Competent Business

10.1 There were no other items of competent business.

11 Date of Next Meeting

11.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 24 June at 9.00am in Waverley Gate, Edinburgh. Committee members only are asked to attend by 8.45 for the scheduled 15 minute pre-meeting.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 24 June 2013 in Meeting Room 5, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr J Brettell (in the Chair); Mr M Ash; Ms K Blair (until 12 noon); Ms M Bryce; Councillor D Grant (until 11.30); Councillor R Henderson (10.30 to 12 noon) and Councillor C Johnstone.

In Attendance: Ms J Bennett (Clinical Governance & Risk Manager); Mr A Boyter (Director of Human Resources and Organisational Development); Mr T Davison (Chief Executive); Mrs S Goldsmith (Director of Finance); Mr B Houston (Chairman); Mr P Lodge (Audit Scotland); Ms S Mair (Director of Operations) (for item 4.3); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D McConnell (Audit Scotland); Mr A Payne (Corporate Governance Manager); Mr A Perston (Audit Scotland); Mr D Proudfoot (Deputy Chief Internal Auditor); Mr D Woods (Chief Internal Auditor); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr Peacock.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

12 Minutes of the Previous Meeting

12.1 Minutes of the previous meeting held on 2 April 2013 – previously circulated minutes were approved as a correct record.

13 Internal Audit, Medical Equipment – April 2013

13.1 Mr Proudfoot gave a detailed overview of the report highlighting the issues found during the audit and the associated Management Actions outlined within the report. In particular, Mr Proudfoot highlighted that equipment databases are not up to date with details of equipment, when purchased, exact location, and servicing schedules. The whole process involved circa 30,000 items of equipment. There was also no policy for management of the equipment.

13.2 The Committee expressed concern that the Board could be carrying a risk to patient safety. There did not appear to be a clear policy that would define the risk appetite for continuing to use equipment beyond its planned maintenance date or period of warranty, and / or with the information relating to these key details not being available. Ms Mair (Director of Clinical Services) assured the Committee that there is a low level of equipment incidents on DATIX and that

each piece of equipment is rigorously checked by clinical staff before it is used. She advised that the presence of a manufacturer's warranty would not in itself guarantee that the equipment would be functional. Furthermore a pilot to develop a medical device library within the Medical Physics Department at the Western General Hospital would commence in the near future.

- 13.3 The Committee acknowledged the information provided by Ms Mair. However it concluded that it was not assured that there were adequate controls to manage the risk to patients, and there seemed to be an over-reliance on clinical staff to check equipment before use. The Chair agreed to escalate the matter to the Chair of the Healthcare Governance Committee and the Chair of the Staff Governance Committee. The Committee agreed that it should receive an update report on this subject at its September meeting. **JMB/ MB/ DF**

Ms Mair left the meeting.

14 Matters Arising

- 14.1 Matters Arising from the Meeting of 2 April 2013 – the Committee received the paper detailing the matters arising from the Audit & Risk Committee meeting held on 2 April 2013, together with the action taken and the outcomes.
- 14.2 The Chair requested that Mr Payne amend the action to review the volume and quality of Board and Committee papers, to state that the escalation of the action was complete, but the underlying work of the review was outstanding. It was agreed that a progress report should be received at the end of the year. **AP**
- 14.3 Mr Payne agreed to amend the date of the Acute Hospital Services action to September given that it remained in progress. **AP**
- 14.4 Mr Boyter updated the Committee on the progress of the implementation of the new Human Resource System and the background in relation to its delays incurred. He went on to assure the Committee that the implementation of the new Human Resources system would not affect business continuity arrangements. The Committee asked for an update on payroll reconciliation in 2014/15. **SG**
- 14.5 Mrs Goldsmith provided a brief verbal update highlighting progress on the waiting times agenda with regard to training, statistics and waiting lists. She noted that of the 89 staff that had previously not been booked for training, all staff had now been booked for training. The posters, the development of the learn pro module and training programme were ongoing. Member noted Mrs Goldsmith's update and agreed to await the full report in September 2013. **SG**
- 14.6 The Committee agreed to accept the Running Action Note.

15 Risk Management

- 15.1 NHS Lothian Corporate Risk Register

15.1.1 Ms Bennett presented the report and highlighted the key changes to the risk register. .

15.1.2 Ms Bryce advised the Committee that following her recent attendance at the Risk Management Steering Group, she observed a dynamic approach to risk management across NHS Lothian, and was assured by the processes in place.

15.1.3 The Committee noted that the risk score for achieving financial targets on a sustainable basis had been lowered slightly, as a consequence of the Board achieving its 2012/13 targets. Mrs Goldsmith advised the Committee that following the Quarter 1 review this risk will be reviewed again and probably increased.

15.1.4 The Committee was advised that issues with data quality in association with waiting times were being taken forward by Professor McMahon and the Data Quality Group.

15.1.5 The Committee were concerned that the Health and Safety risk had increased to 15 from a previous score of 9. Mr Boyter advised that this increased score took into consideration the increased risk of prosecution and the serious nature of the incidents that were currently being investigated by the Health and Safety Executive. The Committee was advised that the Finance & Resources Committee was monitoring this issue.

15.1.6 Ms Bennett agreed to liaise with Councillor Johnstone out with the meeting regarding the presentation of detail within the corporate risk register.

JB

15.1.7 Ms Bennett highlighted organisational culture as an emerging risk that at present was not on the corporate risk register. Mr Davison advised that as long as the Board remained sighted on the issues relating to the management culture review it would not be necessary to record it on the corporate risk register.

15.1.8 The Committee agreed to accept the report.

15.2 High Risks Across NHS Lothian Risk Register

15.2.1 Ms Bennett spoke to the report that detailed the high risk across all the NHS Lothian Risk Registers (not just the summary Corporate Risk Register). It was noted that the report was in response to a previous request from the Committee for sight of the top 16 risks with a score higher than 9, however that request had been amended following discussion with the Committee Chair.

15.2.2 The Committee agreed this was valuable information to be sighted, and requested that Ms Bennett bring forward this report as a second table within the corporate risk register report for future meetings. The Committee confirmed that the risks for East Lothian and Midlothian should be presented separately, and acknowledged that any relevant risks from consolidated West Lothian risk register shall be included following its completion in July 2013.

JB

15.2.3 The Committee requested that for every entry on the Corporate Risk Register, there should be an indication as to which Board committee has responsibility for oversight of the matter..

JB

15.2.4 The Committee agreed to accept the report.

15.3 Risk Management Annual Report 2012/13

15.3.1 Ms Bennett spoke to the report noting the key aspects; the initiation of the Risk Management Steering Group and the importance of NHS Lothian being a learning organisation and supporting the continuous programme of improvement.

15.3.2 The Chair queried whether as stated within the annual report that the Risk Management Steering Group “reported to” the Audit and Risk Committee. Ms Bennett agreed to revise this section in line with the Risk Management Steering Group Terms of Reference.

JB

15.3.4 The Committee agreed to accept the Risk Management Annual Report as a source of assurance that informs the Governance Statement in line with Scottish Government Guidance.

15.4 Board Risk Management Workshop Update

15.4.1 Ms Bennett advised that following the risk management, Healthcare Governance and Francis workshops, a report would be brought forward detailing the outcomes and common themes identified.

Councillor Henderson entered the meeting.

16 **Internal Audit & Counter Fraud Reports**

16.1 Internal Audit – Progress Report June 2013

16.1.1 Mr Woods gave a brief overview of the report and highlighted that the 2012/13 audit plan was complete, and that 7 audits had been completed since the April meeting.

16.1.2 The Committee acknowledged that although the adherence to the agreed completion dates for management actions remained challenging, the performance had improved over the course of the year. The Chair requested that Mr Woods provide a brief numerical table within future progress reports to assist in the communication of the results.

DW

16.1.3 The Committee discussed the issue of management actions not been completed on time, as despite the progress made (87 overdue down to 15), there remained a problem. The discussion highlighted that there could be a range of reasons as to why this is the case. The Committee requested that the Director of Human Resources & Organisational Development, in conjunction with the Chief Internal Auditor, should jointly examine this issue and report to the Committee at its September meeting.

AB

16.1.4 The Committee noted the Internal Audit Progress Report – June 2013.

16.2 Reports with “Fully Satisfactory” or “Satisfactory” ratings: Laboratories (March 2013); Primary Care Contractors – Payments and Contracts (April 2013); Prescribing Practices and Costs (April 2013); Multi-Agency Public Protection Arrangements (April 2013); Property Transactions (May 2013); Infection Control (June 2013)

16.2.1 From the Executive Summaries of the 6 reports contained within the paper, Mr Proudfoot explained that he wished to focus on 3 particular reports, highlighting the main issues that had been identified during those audits.

Mr Houston entered the meeting.

16.2.2 Laboratories – While Laboratories has a good overall control framework, the audit had found that Standing Operating Procedures are not always being reviewed or staff trained on schedule. Also, equipment within laboratories is not always being serviced or cleaned on schedule. In response to a question, Mr Proudfoot advised that the Satisfactory rating was based on the strength of the underlying framework within the laboratories, however there are some opportunities for improvement. Mr Boyter expressed concern in relation to the reported volume of procedural documents within the laboratories (30,000). He agreed to liaise with Laboratory Services to identify whether it would be possible to rationalise this.

AB

16.2.3 Prescribing Practices and Costs – Mr Proudfoot commented that the Satisfactory rating reflects overall assurances about prescribing through doctors requiring to be registered with the GMC. However, the audit had found that Patient Group Directions (PGDs) do not quote expiry dates required by law, with many PGDs having passed their expected review dates. Also, Personal Core Formularies are not in place for non-medical prescribers, and medicines are being sent out by Waiting List staff without being prescribed or covered by PGDs. Furthermore, policies overlap regarding requests for prescribing medicines that the SMC has not yet considered, and GPs do not appear to be following the IPTTR process. Despite the “Satisfactory” rating on the report, Members articulated serious concerns regarding an insufficient level of assurance regarding non-medical prescribers, weaknesses in the PGD process, and weaknesses in the system to verify prescribers before issuing a prescription. The Committee did not feel assured about the issues detailed within the report. Members agreed to escalate this matter to the Chair of the Healthcare Governance Committee. The Chair agreed to liaise with Ms Bryce on this matter out with the meeting.

JB/MB

16.2.4 Infection Control – Mr Proudfoot advised that a good framework has been developed to prevent and manage infections. However, Mr Proudfoot highlighted that procedures and practices to help prevent infections are not always being followed, with some areas displaying hand-hygiene results that are lower than target, and / or in some cases no audits being carried out. Also, Clinical Risk Assessments and swab-based screening tests for MRSA are not always being done. In particular, the Committee noted the issues

surrounding MRSA testing and hand hygiene identified during the audit. The Committee expressed discomfort despite the “Satisfactory rating” of the report.

16.2.5 The Committee also considered the other reports summarised in this paper. The Committee acknowledged that there were linkages (with regard to compliance) arising from the Medical Equipment, Prescribing Practices and Costs, and Infection Control audits, and subsequently in private session agreed that these linkages should be escalated to the Chief Executive.

JB

16.3 Internal Audit - Annual Report for 2012/13 - Mr Woods presented the annual report and confirmed that Internal Audit’s work indicated that generally adequate and effective internal controls have been operating throughout the year. Mr Woods highlighted that there were no reports issued with either “fully satisfactory” or “unsatisfactory” ratings. 12 internal audit reports (67%) had received ratings of “Satisfactory”, while 6 reports (33%) had been issued with ratings of “Requires Improvement”, which is in line with the general pattern over recent years. From the audits, Internal Audit had raised 51 issues, 35 significant issues and 16 important issues.

16.3.1 Mr Woods commented that Internal Audit’s work supports the conclusion that the governance framework is sufficient for the Chief Executive to discharge his responsibilities as Accountable Office. Also, Internal Audit has complied with Government Internal Audit Standards. Mr Woods summarised that Internal Audit could report positively against the requirements of the guidance. The Chair, on behalf of the Committee, noted the excellent work conducted by Mr Woods and his team, the positive assurance and review completed by External Audit, and the confidence this all provided to the Committee, and thanked Mr Woods on the Committee’s behalf.

16.3.2 The Committee agreed to accept the report.

16.4 CFS – Referrals & Operations – June 2013

16.4.1 Mr Woods introduced the summary of CFS referrals and operations as at June 2013. Mr Woods also highlighted that a Chief Executive Letter of 30 May 2013 has introduced particular expectations of the Audit & Risk Committee with respect to assurances on fraud related matters. Mr Woods advised the Committee that he shall discuss this further with the Committee Chair and Director of Finance, and present a report on this matter to the September meeting.

DW

16.4.2 Mr Woods noted good progress with the National Fraud Initiative, as outlined in the Internal Audit Progress Report and advised that he will bring a full report to a later meeting.

DW

16.5 Fraud Referrals & Operations for Year to 31 March 2013

16.5.1 Mr Woods presented the report that informed the Committee of statistics on fraud referrals and operations raised during the year. He highlighted that the

statistics show a slight increase in fraud referrals year-on-year, with a 40% increase over the past 5 years. Mr Woods commented that the increase was probably a result of NHS Lothian's proactive approach to raise awareness of fraud matters, rather than indicating any increase in the instances of fraud.

16.5.2 The Committee agreed to accept the report.

16.6 NHS Lothian: Patient Exemption Checking and Potential Fraud 2012

16.6.1 Mrs Goldsmith introduced the previously circulated information on the analysis of fraudulent and erroneous claims for exemption from patient charges. She highlighted that the main areas of concern presented in dentistry and ophthalmic services, though NHS Lothian remained below the national average. Members were assured that the level of claims were small and closely monitored.

16.6.2 The Committee accepted the report.

17. **External Audit Reports**

17.1 ICT – eHealth Services Follow-up

17.1.1 The Committee were advised that of the 21 risk areas identified only 3 remained outstanding, all other actions had been fully implemented. Overall good progress had been made in addressing risks during the previous reviews. Items remaining were: The Royal Infirmary Server room and connection to the hospital's emergency power supply; reconstitution of the eHealth Informatics Board; PACS user creation and maintenance policy.

17.1.2 The Committee agreed to accept the report.

Councillor Grant left the meeting.

18. **General Corporate Governance**

18.1 2012/13 Healthcare Governance Committee Annual Report to Lothian NHS Board - the report to provide the Committee with the annual report of the Healthcare Governance & Risk Management Committee, so as to provide a source of assurance with respect to the Governance Statement was received.

18.1.1 Ms Bryce highlighted the extensive workload of the Healthcare Governance Committee, and the potential areas of overlap with other governance committees, particularly the Staff Governance Committee, will need to be addressed in the near future.

18.1.2 The Committee accepted the report as a source of assurance to support the Governance Statement.

- 18.2 Lothian NHS Board Annual Report of the Chair of the Finance & Performance Review Committee Period Ending 31 March 2013 - the report to provide the Committee with the annual report of the Finance & Performance Review Committee, so as to provide a source of assurance with respect to the Governance Statement was received.
- 18.2.1 Mrs Goldsmith drew attention to the risk associated with Royal Hospital for Sick Children and Department of Clinical Neurosciences, backlog maintenance, waiting times and the subsequent financial consequences. She highlighted that compliance may not be possible due to the level of capital investment required at some sites though a more focussed approach to tackle backlog maintenance would commence in the coming year. The Board would continue to be briefed on backlog maintenance.
- 18.2.2 The Committee accepted the report as a source of assurance to support the Governance Statement.
- 18.3 2012/13 Annual Report from the Staff Governance Committee - the report to provide the Committee with the annual report of the Staff Governance Committee, so as to provide a source of assurance with respect to the Governance Statement was received.
- 18.3.1 The Committee accepted the report as a source of assurance to support the Governance Statement.
- 18.4 2011/12 Annual Report from the Information Governance Assurance Group - the report to provide the Committee with the annual report in respect of the Information Governance Assurance Group, so as to provide a source of assurance with respect to the Governance Statement was received.
- 18.4.1 The Committee accepted the report as a source of assurance to support the Governance Statement.
- 18.5 2012/13 Summary Assurance Report on Best Value – the report to brief the Committee on how NHS Lothian progresses the duty of Best Value was received.
- 18.5.1 In response to a query, Mrs Goldsmith agreed that productivity should be explored further, and that she would progress this in conjunction with the Finance and Resources Committee.
- 18.5.2 The Committee accepted the report as a source of assurance to support the Governance Statement.

Ms Blair left the meeting.

18.6 Executive Assurances for Governance Statement

- 18.6.1 Mr Martin presented the report that summarised the content of matters arising from the completed executive assurance statements. Mr Martin advised that

no matters were raised which required to be included in the Governance Statement.

18.6.2 The Committee accepted the report as a source of assurance to support the Governance Statement.

16.7 NSS Service Audit Reports 2012/13– the report to provide the Committee with assurance on the systems of control managed by NSS on the Board's behalf was received.

16.7.1 The Committee acknowledged the unqualified opinions from the service auditors for each area and accepted these as a source of assurance in respect of the Board's systems of internal control.

16.7.2 The Chair stated that it would have been helpful for the Committee, if there was a single paper that captured all the high risk areas / issues highlighted in the committee annual reports, and demonstrated how they were considered and / or included and / or edited in the process of preparing the public Governance Statement and annual accounts, to ensure full and appropriate transparency. It was unclear at this stage to what extent this had happened this year, and it was agreed that such a paper will be presented next year as part of the Assurance process.

BM

Councillor Henderson left the meeting

18.8 Payment Verification in Primary Care - Financial Year 2012/13– the report to provide the Committee with assurance in regard to payments made to family Health Service Practitioners, which is a source of assurance to support the 2012/13 governance statement was received.

18.8.1 The Committee discussed potential concerns in the payment systems and agreed the responsibility for the oversight is with the Finance and Resources Committee.

18.8.2 The Committee agreed to accept the report as a source of assurance to support the 2012/13 governance statement.

18.9 SFR 18.0 – Summary of Losses and Payments for the Year Ended 31 March 2013 – the report to provide the Committee with an opportunity to review the summary of losses and compensations payments incurred throughout 2013 was received.

18.9.2 The Committee agreed to accept the paper.

18.10 Complaints Management Update

18.10.1 The Chair provided a brief verbal update on complaints management, following a meeting held with himself, the Chair of the Healthcare

Governance Committee, Mr Boyter and his team, highlighting that a paper will be received at the Board meeting on 26 June.

18.11 Assurance Report on Irregularities

18.11.1 Mr Boyter introduced the report highlighting the background to the review of the freedom of speech policy and delays incurred following the release of national guidance from the Scottish Government. He advised that the new whistleblowing policy would be implemented in August 2013 following a period of consultation with the unions in July.

18.11.2 The Committee agreed to accept the report as assurance that there are satisfactory arrangements in place for employees to raise irregularities.

18.12 Anti-Bribery Statement

18.12.1 Mr Payne presented the draft anti-bribery statement.. He advised the Committee that the Board already has detailed guidance on good business conduct for employees, and that this statement is one piece of a larger action plan to address the risk of bribery. The Statement is required as a method of expressing top-level commitment.

18.12.2 The Committee agreed that the statement should be referred to the Board for approval, suggesting that the focus on the word “bribery” might be reconsidered to be more embracing and assist staff in understanding the scope of the policy .

AP

19. **Annual Accounts**

19.1 Governance Statement - a paper, together with the draft Governance Statement was received. Mr Martin presented the draft Governance Statement noting in detail the arrangements put in place to support the statement.

19.1.1 The Committee had received prior sight of these documents, and had had the opportunity to raise queries and questions prior to the meeting, all of which had been reflected in the updated papers, and / or answered to the Committees satisfaction. Accordingly the Committee agreed to support the Statement and recommend the Statement to the Board.

19.2 Representation Letter - the Committee received a draft Letter of Representation to the External Auditors.

19.2.1 Following discussion, it was agreed that the statement properly represented confirmation to the External Auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2013, and to recommend to the Board that the letter be adopted.

19.3 External Audit - Lothian NHS Board – Draft Report to those charged with Governance on the 2012/13 Audit - a draft report to those charged with governance on the 2012/13 Audit was received.

19.3.1 Members attention was drawn to the key areas and specific matters that arose from the audit of the financial statement as required by the Internal National Standard on Auditing 2060 (ISA 260). The external auditors propose to provide an unqualified opinion on the accounts, and noted that there were no concerns to highlight or draw to Committees' attention.

19.3.2 The Committee agreed to accept the report.

19.4 Annual Accounts for the Year ended 31 March 2013 - the Committee received the annual accounts for 2012/13, noting that a detailed scrutiny of had occurred in advance of the meeting. .

19.4.1 The Committee had no further comments, and it was agreed that the draft annual accounts for 2012/13 should be recommended to the Board.

19.5 NHS Lothian, Audit Committee Annual Report from the Chair – Year Ending 31 March 2013 – the Committee approved the NHS Lothian, Audit & Risk Committee Annual Report from the Chair – Year Ending 31 March 2013.

19.6 Lothian NHS Board Audit Committee – 2012/13 Notification to the Health & Wellbeing and Cities Strategy Audit Committee –.

19.6.1 The Committee approved the letter subject to adding some further text on the issue of outstanding management actions.

AP

20 What Every Director Should Know About Internal Audit

20.1 The Committee noted the report which presented a brochure recently published by the Chartered Institute of Internal Auditors and Institute of Directors. The Committee noted Internal Audit's compliance with the recommended practices.

21 Any Other Competent Business

21.1 There were no other items of competent business.

22 Date of Next Meeting

22.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 30 September 2013 at 9:00 in Waverley Gate, Edinburgh. Committee members only are asked to attend by 8.45 for the scheduled 15 minute pre-meeting.

DRAFT

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 30 September 2013 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr J Brettell (in the Chair); Ms K Blair; Dr M Bryce; Councillor R Henderson and Councillor C Johnstone.

In Attendance: Ms J Bennett (Clinical Governance & Risk Manager); Mr A Boyter (Director of Human Resources and Organisational Development); Mr T Davison (Chief Executive); Miss T Gillies (Deputising for Dr Farquharson); Mrs S Goldsmith (Director of Finance); Mr B Houston (Chairman); Mr A Jackson (Associate Director of Strategic Planning); Mr P Lodge (Audit Scotland); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr D McConnell (Audit Scotland); Dr N Nwafor (Observer, Paediatrician); Mr A Payne (Corporate Governance Manager); Mr A Perston (Audit Scotland); Mr D Proudfoot (Deputy Chief Internal Auditor); Mr D Woods (Chief Internal Auditor); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr Ash, Councillor Grant and Mr Peacock.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

23 Minutes of the Previous Meeting

23.1 Minutes of the previous meeting held on 24 June 2013 – previously circulated minutes were approved as a correct record.

24 Matters Arising

24.1 Matters Arising from the Meeting of 24 June 2013 – the Committee received the paper detailing the matters arising from the Audit & Risk Committee meeting held on 24 June 2013, together with the action taken and the outcomes.

24.2 The Chair requested that Mr Payne amend the action to receive an update on the issue of reconciling the data in the payroll system to the new HR system in 2014/15, to state that the action was complete.

24.3 Mr Payne agreed to amend the date of the Acute Hospital Services Committee action to the first meeting in the New Year given that it remained in progress.

AP

AP

24.4 Mr Payne agreed to bring forward the deadline for Board Committees to provide him with their annual reports. This will facilitate the preparation of a paper for the Audit & Risk Committee which summarises the significant matters raised by the various sources of assurance, and how they have been subsequently considered and addressed in the preparation of the annual accounts.

24.5 The Committee accepted the Running Action Note.

25 Risk Management

25.1 Litigation and Learning

25.1.1 Ms Bennett presented the report and assured the Committee that significant progress had been made, however further improvements would be required to bring the process in line with patients' and relatives' expectations. She highlighted the importance of transparency, a robust incident management process and NHS Lothian's role in the "being open" pilot as the Board moves forward with management of litigation cases.

25.1.3 Members were advised that the premium for CNORIS was determined by forecast of the expected amounts to be paid into the pool in response to claims. A variation in the premium from one year to the next is not directly related to the Board's underlying exposure to risk. In answer to a specific enquiry from the Committee, it was confirmed that there was no risk of being underinsured as a result of the reduced premium. Currently there is no cap on the level of premium that the Board may be required to pay. The Committee was informed that the Board secures professional legal advice through the Central Legal Office, and it would engage any specialists on the Board's behalf to deal with litigation. The Committee was further assured that a resulting Process Review (arising from common themes arising) is being followed up via the Healthcare & Governance Committee.

25.1.4 The Committee accepted the report and decided that it required no further update. Any future reports should be directed to the Healthcare Governance Committee.

25.2 NHS Lothian Corporate Risk Register

25.2.1 Ms Bennett presented the report and highlighted the key changes to the risk register.

25.2.2 Ms Bennett clarified that table 2 of the report identified how the risks on the Corporate Risk Register related to the Board's Corporate Objectives. She advised that a report on risk appetite reporting will be submitted to the Risk Management Steering Group in the near future, together with the requested paper on system wide high risks.

25.2.3 Members agreed that the report would benefit from narrative explanation of how risks relate to each other and influence their grading, e.g. as a consequence of electing to invest in achieving waiting times and unscheduled

care, the residual risk in those areas was no lower whilst the financial risk was shown as increased (note –all agreed this was not a consequence of a higher concern regarding financial risk, simply that resource had been expended in the higher priority area of clinical safety). Ms Bennett agreed to recognise this in future reports.

25.2.4 The Committee agreed to accept the report.

26 Internal Audit & Counter Fraud Reports

26.1 Internal Audit – Progress Report September 2013

26.1.1 Mr Woods gave a brief overview of the report and highlighted that three audits had been completed since the June meeting. He noted that following requests from management, Internal Audit has agreed to two further pieces of work as described in the Internal Audit plan: the migration to the national single instance, and review of progress against actions arising from the Laboratories Redesign Programme.

26.1.2 Members noted that the review of Pharmacy Stores would be deferred until later in the year, in recognition of the implementation of a new pharmacy IT system.

26.1.3 The Committee noted particularly the substantial reduction in outstanding management actions, and the Chair thanked Mr Davison and Mr Woods for their efforts. The Committee accepted the Internal Audit Progress Report – September 2013.

26.2 Reports with “Fully Satisfactory” or “Satisfactory” ratings - September 2013: Migration to National Single Instance (June 2013)

26.2.1 Mr Woods advised that overall there was a good framework in place to manage the migration to the National Single Instance and that the expected processes and controls were followed.

26.2.2 The Committee accepted the report.

26.3 Procurement from Private Sector for Waiting List Initiatives – July 2013

26.3.1 Mr Woods introduced the report on procurement from the private sector for Waiting List Initiatives and highlighted that the report reflected the position as at July 2013, advising that there had been further developments since then. Also, Mr Woods advised that the audit had been conducted following a request by the Chief Executive. Mr Woods gave a brief overview of the key areas identified during the audit. In summary, he highlighted that management were operating within a level of risk appetite that had evolved in response to developing situations, rather than a pre-determined decision as to what the appropriate risk appetite should be (and given that at the time this had not been explicitly expressed by the Board).

26.3.2 Following discussion on the report, members agreed that it would be prudent to place greater reliance on NHS Health Improvement Scotland for site visits of external providers, rather than NHS Lothian conducting its own visits.

26.3.3 Dr Bryce requested that further information be provided to the Healthcare Governance Committee in respect of the status of contracts with private providers following its recent request for assurance. It was agreed that this matter would be followed up with Dr Farquharson out with the meeting.

DF

26.3.4 Ms Blair raised concerns with regard to the level of rigour in the management actions in the report, and requested assurance that appropriate actions had been taken. Mr Woods advised that the management actions reflected the high level nature of the issues around setting risk appetite. He was assured that the necessary underlying actions were progressing.

26.3.5 Mrs Goldsmith advised the Committee that the contracts were now complete and sitting with her for signing off. She anticipated that this action would be closed off imminently.

26.3.6 Mr Davison proposed that in light of the significant advancement following the publication of the internal audit report, a follow up report updating the Committee on the progress against the management actions should be brought forward. Mrs Goldsmith agreed to take this matter forward.

SG

26.3.7 The Committee recognised the significant effort and achievements in improving the Waiting Times situation, and agreed to accept the report.

26.4 Workforce Planning – Medical (July 2013)

26.4.1 Mr Woods introduced the report highlighting that NHS Lothian complies with the framework for workforce planning set down by the Scottish Government. Nevertheless, the Board remains exposed to risks as a consequence of external factors which NHS Lothian cannot fully address on its own, and the audit opinion of “requires improvement” reflects those external factors. The report acknowledges that the relevant issues continue to be reported to the Board, and Internal Audit has made no further recommendations.

26.4.2 Mr Boyter advised the Committee that NHS Lothian’s workforce planning systems and procedures are generally regarded as exemplary. The fact that the Board still is carrying risk should not be regarded as a criticism or failure of those systems.

26.4.3 Mr Houston commented that if our current systems did not produce the outcomes that the Board requires and leaves it exposed to significant risk, then logically an alternative approach is required. The Committee discussed the importance of having a robust and focussed approach to influencing national issues, as well as adapting its local models of care and service in the light of these risks.

26.4.3 Councillor Henderson highlighted a matter raised in the report with regard to there being no requirement for General Practitioners to provide information to

the Board that would assist in workforce planning. Mr Boyter advised the Committee that the Scottish Government was examining this issue, but that it is an area that needs to be addressed. The Committee agreed that this is a matter that should be highlighted to the Board.

26.4.4 The Chair expressed the concern that the Title of the audit report did not reflect the real scope of the audit given that no internal deficiencies were noted despite the "Improvement Required" rating, and asked Mrs Goldsmith and Mr Davison to consider. The Committee meantime however agreed to accept the report.

26.5 CFS – Referrals & Operations – September 2013

26.5.1 Mr Woods introduced the summary of CFS referrals and operations as at September 2013. Mr Woods also highlighted the Chief Executive Letter that placed expectation on the Audit & Risk Committee with respect to assurances on fraud-related matters.

26.5.3 The Committee accepted the CFS – Referrals & Operations report.

26.6 CFS Reports – Operations Iona (June 2013); Operation Scorpio – Locums (July 2013)

26.6.1 Mr Woods gave a brief introduction to the CFS reports on Operation Iona and Operation Scorpio and sought the Committee's opinion on the receipt of future CFS reports.

26.6.2 The Committee agreed that Mr Woods' normal summary of fraud cases and reports is satisfactory for its purposes. The Committee agreed that it would be appropriate for the full version of CFS reports to be considered by the Counter Fraud Action Group rather than the Committee in future.

26.6.3 The Committee accepted the CFS reports on Operation Iona and Operation Scorpio.

26.7 CEL (11) 2013- Strategy to Combat Financial Crime

26.7.1 Mr Woods explained that the CEL reinforced counter-fraud messages and set out some required actions. The paper outlined NHS Lothian's proposed response to the various questions and actions posed within the CEL, including a draft of the Counter Fraud Checklist. Mr Woods invited the Committee to review the material and offer any feedback. He asked the Committee to approve the Counter Fraud Checklist so that it may be forwarded to Counter Fraud Services.

26.7.2 Mr Boyter advised the Committee that he was the Board's liaison with Police Scotland. He informed the Committee of the creation of a new Counter Corruption Unit within Police Scotland, which aims to prevent corruption within the public sector. Mr Boyter agreed to liaise with Mr Woods on this matter given the linkages to the Strategy to Combat Financial Crime.

26.7.3 The Committee agreed to accept the report and approve the Counter Fraud Checklist, subject to Mr Woods making clear on the checklist that CFS reports will be received by the Counter Fraud Action Group on behalf of the Audit & Risk Committee. The Committee also requested that Mr Boyter provide feedback to the Committee following his liaison meetings with the Police.

26.8 National Fraud Initiative 2012/13

26.8.1 Mr Woods introduced the National Fraud Initiative update, noting that NHS Lothian had investigated cases appropriately and the positive outcomes of the NFI exercise.

26.8.2 The Committee accepted the report.

Mr Jackson entered the meeting.

27. **External Audit Reports**

27.1 NHS Lothian Best Value Toolkit – Sustainability

27.1.1 Mr Lodge gave a brief overview of the report. He highlighted the overall outcome of “Better Practice” for NHS Lothian, and the agreed management actions for further improvement.

27.1.2 The Committee accepted the report.

28. **Management Controls Capacity (Decision)**

28.1 Reasons for Management Actions not being completed by Target Dates

28.1.1 Mr Woods introduced the report. He advised the Committee that managers had been asked to give reasons why management actions had not been completed on time. The report analysed the outcomes of the exercise.

28.1.2 Mr Boyter noted that the public sector is in an extremely challenging time, with significant major capital programmes, demographic and economic environment issues. He did highlight that the Board had achieved Investor in People Status during this time.

28.1.3 The Committee noted the significant pressure in the organisation, particularly in the context of a 25% reduction in management staff.

28.1.4 Ms Blair highlighted that 22 of the 51 actions that had not been completed on time were assigned to Human Resources & Organisational Development (including Facilities). Mr Boyter assured the Committee that management actions were taken seriously. He indicated that his area covers a large and diverse range of functions, and that it would be helpful to the Committee if future reports broke this down so that the Committee can see where the remaining issues lie.

28.1.5 The Committee approved that managers in future will be asked to provide Management Responses and draft Management Actions in response to issues within audit reports. Also, the Committee agreed that appropriate Management Actions are to be split into constituent parts which will be monitored as standalone actions. The Committee agreed to accept the report, also agreeing that actions relating to Facilities should be separated from Human Resources & Organisational Development in future reports.

28.2 Follow-up to Committee Queries on Audits/ IA Resources

28.2.1 Mr Davison gave a detailed verbal overview of the changes within NHS Lothian in the last 24 months, highlighting the changes to the Board membership and management personnel and structure during a period of high pressure on the organisation. He went on to advise colleagues of specific initiatives to empower local teams through focused areas of management and impress the importance of escalation of challenges or barriers at the first available opportunity.

28.2.2 There was some discussion surrounding the reduction of managers through the means of natural wastage rather than redundancy programmes and the subsequent consequences that arose. Members were informed that the four key issues were capacity, capability, behaviour and confidence.

Members agreed that the main challenge would be to address Management Culture issues and poor performance simultaneously in the coming 12 to 24 months. The Chair however highlighted that given the challenges and the known organisational issues and ongoing stretch over the next 12-24 months, we should be considering whether our "3rd line of defence" is adequate. He therefore asked Mr Woods for a paper which reflected the known management stretch and his recommendations for an audit regime to provide adequate assurance over the next 1-2 years, given Internal Audits known resources, and what resources he might require to achieve this effectively.

28.2.3 Mr Woods agreed to liaise with Mrs Goldsmith to identify what the Internal Audit function can do, in order to provide an additional level of assurance in response to these organisational challenges and current pressures on management. The Committee requested that this should be considered as part of proposed changes to the structure of the internal audit team, and that a report should be provided to the Committee, including any resource implications of any proposals.

DW

Councillor Henderson left the meeting.

29. **General Corporate Governance**

29.1 Write-Off Fraudulent Loss

29.1.1 The Committee agreed to approve the write off of £86,997 as outlined in the previously circulated report.

29.2 Nugatory Payment: Fine under Health and Safety Legislation £32,000

29.2.1 The Committee noted the relevant circumstances and implications of the nugatory payment under legal obligation. The Committee sought assurance that the staff member concerned had received appropriate support and organisational learnings had been adopted.

29.2.2 The Committee agreed to approve the recommendation that the Director of Finance approach the Scottish Government to obtain approval of the nugatory payment above the Board's delegated limit.

SG

29.3 NHS Waiting Time Arrangements Update on Audit Actions

29.3.1 Mrs Goldsmith introduced the report on NHS waiting times arrangements, highlighting progress made.

29.3.2 The Chair requested that the Committee see a report detailing the outcome of testing of processes and a further report on waiting times training for the first meeting in the New Year.

SG

29.3.3 Mr Woods advised that the follow-up audit had commenced and so far the engagement of staff and improvements made seem very positive.

29.3.4 The Committee discussed a recent anonymous letter received in respect of concerns that Oral Surgery figures reported to the Board were incorrect. The Chief Executive gave the Committee assurance that any concerns will be fully and openly investigated.

29.3.5 The Committee agreed to accept the report.

Mr Jackson left the meeting.

29.4 Scheme of Delegation

29.4.1 The Committee agreed to accept the changes detailed within the report and recommend that the Board approve the revised Scheme of Delegation.

SG

29.5 Edinburgh & Lothian's Health Foundation: 2012/13 Annual Accounts

29.5.1 Members noted the briefing on the consolidation of the Endowment Funds into NHS Board accounts as a source of information in the preparation of the annual accounts for 2013/14.

29.5.2 The Chair noted that he could not support the principle of consolidation of the endowment funds with the NHS Board accounts. He advised that in his personal opinion Trustees and Board members acted in a separate capacity, therefore in law there was not "common control", and therefore the NHS Board had no control over Endowment Funds. Though he accepted that the move to consolidation was directed by the Scottish Government and the Board had no influence over this matter, he could not support the consolidation in his role as Chair of the Audit and Risk Committee.

29.6 Business Continuity in Finance

29.6.1 Mrs Goldsmith advised that the report on Business Continuity has arisen from the Committee's request for assurance at the June 2013 meeting.

29.6.2 The Committee agreed to accept the report as a source of assurance and note the additional Disaster Recovery procedures put in place by NHS Lothian in response to the loss of full Disaster Recovery Provision.

29.7 NHS Lothian Patients' Private Funds – Annual Accounts 2012/13

29.7.1 The Committee reviewed the NHS Lothian Patients' Funds Annual Accounts 2012/13 and the associated report from the external auditors. Mrs Goldsmith advised that it was a clean audit and all actions identified had been responded to.

29.7.2 The Committee agreed that the accounts should be referred to the Board for approval.

SG

29.8 Mapping of the Audit and Risk Committee's Terms of Reference

29.8.1 Mr Payne introduced the 6-monthly report on the mapping of the Audit and Risk Committee's terms of reference.

29.8.2 Mr Payne advised the Chair that the review of the Board's Standing Orders was in hand and they would be presented at a future meeting of the Audit & Risk Committee for review.

29.8.3 The Chair requested that Mrs Goldsmith consider what systems of control NHS Lothian has to comply with the relevant tax laws and bring back a full report to the next Audit and Risk Committee.

SG

30. Items for information

30.1 Lothian Health Board Annual Report on the 2012/13 Audit

30.1.1 The Committee noted the Audit Scotland Lothian Health Board Annual Report on the 2012/13 Audit and the information therein, and the "Unqualified report".

30.2 Usage of NHS Lothian Policy – Preventing and Dealing with Bullying and Harassment at Work, and Whistle blowing.

30.2.1 The Committee noted the report on the Usage of NHS Lothian Policy – Preventing and Dealing with Bullying and Harassment at Work and Whistle blowing and the information therein.

31. Reflection on Meeting Effectiveness & Items for Escalation

31.1 The Chair asked that the scheduled length of the meeting be changed to three hours.

AP

32. Any Other Competent Business

32.1 There were no other items of competent business.

33. Date of Next Meeting

33.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 9 December 2013 at 9:00 in Waverley Gate, Edinburgh. Committee members only are asked to attend by 8.45 for the scheduled 15-minute pre-meeting.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 9 December 2013 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr J Brettell (in the Chair); Mr M Ash; Ms K Blair; Dr M Bryce; Councillor D Grant and Councillor C Johnstone.

In Attendance: Ms J Bennett (Clinical Governance & Risk Manager); Mr T Davison (Chief Executive); Mrs S Goldsmith (Director of Finance); Ms D Howard (Head of Financial Control); Mr B Houston (Chairman); Mr P Lodge (Audit Scotland); Mr R Martin (Head of Corporate Reporting and Corporate Governance); Mr C Marriott (Deputy Director of Finance); Mr D McConnell (Audit Scotland); Mr J Megaw (Strategic Programme Manager) (*for item 7.1*); Mr A Payne (Corporate Governance Manager); Mr A Perston (Audit Scotland); Mr D Proudfoot (Deputy Chief Internal Auditor); Mr D Woods (Chief Internal Auditor); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Councillor R Henderson and Mr Peacock.

The Board Chairman advised the Committee that Mr Peacock had now formally resigned as a non-executive Board member, and therefore as a member of this Committee.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

34 Minutes of the Previous Meeting

34.1 Minutes of the previous meeting held on 30 September 2013– The Committee approved the circulated minutes as a correct record.

35 Matters Arising

35.1 Matters Arising from the Meeting of 30 September 2013 – the Committee received the paper detailing the matters arising from the Audit & Risk Committee meeting held on 30 September 2013, together with the action taken and the outcomes.

35.2 The Committee accepted that the actions detailed within the Running Action Note were complete or on track for completion by the intended target date. Dr Bryce advised that the Healthcare Governance Committee received a paper on the governance of independent sector providers at its December meeting and that the Committee was assured with the arrangements in place.

36 Risk Management

36.1 Risk Register Update

36.1.1 Ms Bennett gave a detailed overview of the report. She drew the Committee's attention to work that assessed whether risks within the corporate risk register were fit for purpose, including specific changes in grading and the evidence that supported the decision to re-grade them.

36.1.2 The Committee reviewed the detail of the corporate risk register and the very high/ high risks identified in other risk registers, and the following matters were raised for management to consider:

- 3211 – Achievement of national waiting times targets. It was noted that whilst the risk had an overall grade of “high”, the underlying score had not moved over the last year and probably should be higher.
- 2964- The Board does not achieve its financial targets on a sustainable basis. The overall grade and score for this risk had been lowered, and this should be reviewed in the light of the financial position.
- The issue of integration does not feature on the corporate risk register, and only appears on the West Lothian CHCP risk register. Given the significance of the issue, it was agreed that it should at least be on the corporate risk register until the Scottish Ministers have approved the Integration Plans for the four local authority areas. Management should consider reflecting this issue in the CHP risk registers.
- 1763 – Delayed discharge of patients. This features on both the East & Midlothian CHP risk register as a high risk, however it was clarified that this is only an issue in East Lothian.
- The issue of productivity is not identified in the risk registers. Management should consider this issue, in addition to the existing focus on efficiency. If any risks are identified following that consideration then it should be reflected in the appropriate risk registers.
- There is a concern on mandatory training compliance and this should be clearly reflected in the operational risk registers where this is in fact an issue.
- The issue of medicines reconciliation should be considered.
- Determining what is actually happening on patient experience is entirely dependent on having robust data and information systems. It is not about performance against the standards for handling complaints. It is acknowledged that there is a generic “Data Quality” risk on the corporate risk register (3486), however management should consider defining this more specifically in the operational risk registers.

36.1.3 The Committee reviewed the draft reporting model for Risk Appetite. The Committee agreed that it was a good start, however agreed that further work was required to ensure there was a clear understanding of the terms being used, and to further refine some of the measures of risk tolerance. The Committee proposed a workshop with the Risk Management Steering Group

early next year in order to progress this point and develop the Risk Appetite further, and to review in detail various aspects of the Register and risks identified. The Chair confirmed that he would highlight to the Board that the initial results show that the Board is operating beyond its risk appetite.

JMB/TD

36.1.4 Ms Bennett confirmed that a paper shall be presented to the February Board meeting outlining the proposed reporting system for risk appetite, noting the action to be undertaken in 36.1.3 above..

JB

36.1.5 The Committee thanked Ms Bennett for the report and acknowledged the progress had been made over the last year in developing the corporate risk register and the system of risk management.

37 Internal Audit & Counter Fraud Reports

37.1 Internal Audit – Progress Report December 2013

37.1.1 Mr Woods gave a brief overview of the report and highlighted that four audits had been completed since the September meeting. He highlighted that the review of Pharmacy Stores has been deferred into next year's audit plan, and that internal audit have been asked to review controls associated with implementing the new pharmacy IT system(JAC).

37.1.2 The Committee noted the continued commitment to the reduction in outstanding management actions (now down to only 4 past their due dates), and the Chair thanked Mr Davison (management) and Mr Woods (internal Audit) for their efforts.

37.1.3 The Committee accepted the Internal Audit Progress Report – December 2013.

37.2 Reports with “Fully Satisfactory” or “Satisfactory” ratings - December 2013:

37.2.1 Hospital Catering

37.2.1.1 Mr Proudfoot advised that overall there was a good framework in place to provide patients with satisfactory food. He noted that though the report was given a satisfactory rating, issues had been raised about checking nutritional standards, recording food wastage and checking food temperatures. He advised that management are taking action to address the identified areas of concern.

37.2.1.2 Members debated whether the report's overall “satisfactory” rating was appropriate, given the nature of the findings that had been reported in the presented summary. The Committee concluded that any assessment of the adequacy and effectiveness of a system of control has to consider what the actual outcomes or results have been. The Committee acknowledged that it had not seen the full report. It also recognised that the auditors had reviewed the framework of controls in place and were satisfied management were

taking action to address the issues raised. However the Committee could not accept the “Satisfactory” opinion given the words and summary provided.

37.2.1.3 Mr Woods agreed to issue the full report for the Committee to review at its next meeting. The Chair also requested that the Head of Logistics and Catering provide a report to explain what action has been taken.

DW/DG

37.2.1.4 Mr Houston advised the Committee of the forthcoming NHS Lothian Catering Strategy, lead by Ms Allen. He anticipated that proposals would be available in March 2014.

37.2.1.5 The Chair and Finance Director considered that the report could not be accepted as written and asked Internal Audit to review and represent. In addition it was agreed that the Chair and Finance Director would discuss the general issue of Internal Audit scopes and ratings following the meeting

JB/SG

37.2.2 Prison Services

37.2.2.1 Mr Proudfoot advised that overall there was a good framework in place to provide satisfactory healthcare services for prisoners. He noted that there were 2 areas identified that required improvements to be made; access to General Practitioners and specialists; the control of non-controlled medicines. Members were assured that actions to resolve these matters were ongoing.

37.2.2.2 The Committee agreed to accept the report on the Prison Services audit.

37.2.3 Performance Targets and Reporting

37.2.3.1 Mr Proudfoot reported that the framework in place to support the reporting of performance was satisfactory. He highlighted that though the audit resulted in a satisfactory rating, Strategic Planning has identified and started to address issues to improve data quality and assurances. Members were assured that actions were ongoing.

37.2.3.2 Mr Houston advised colleagues of previous discussions at the Board surrounding the relevance of performance data received, how it was interpreted and used. Whilst the audit evaluated the control framework, the Committee debated whether the resulting performance reports meet the needs of the Board, expressing similar concerns to the Catering Audit regarding whether the report appeared “Satisfactory”.

37.3 NHS Waiting Times Arrangements Follow-up

37.3.1 Mr Woods advised that overall there had been good progress against the recommendations that arose from the audit on waiting times. He went on to give a detailed overview of progress made against each action.

37.3.2 Members noted that Mr Crombie, Director of Unscheduled Care had taken over the Chair of the Waiting Times Group from the Chief Executive and would continue to lead the focus on performance.

37.3.4 The Chief Executive reported that there was some concern that following the waiting times incident, NHS Lothian comparatively makes less use of the the unavailability codes than other NHS Boards. He also advised that NHS Lothian was currently offering patients 14 days to respond in comparison to the 7 days offered by neighbouring Health Boards. The view was informally expressed that it seemed reasonable to move to a consistent 7 day basis, but advised caution in the use of the unavailability codes.

37.3.5 The Committee agreed to accept the report.

37.4 Internal Audit Structure and Resource

37.4.1 Mr Woods introduced the report that advised the Committee on a proposed restructure of Internal Audit. He noted that the action taken to restructure the department would be determined by the outcome of the Job evaluations. In the meantime Internal Audit would remain to operate efficiently and focus on the areas of high risk.

37.4.2 Audit Scotland confirmed that they were able to place reliance on Internal Audit. They advised that although they did not have the remit to instruct internal audit colleagues, they have pointed out a possible need to increase the frequency of the financial systems audits. Members noted that increasing coverage of financial systems would impact on internal audit resource. Mr Woods advised that he would continue to manage the capacity and workload of the Internal Audit Team through the Internal Audit Plan.

37.4.3 The Committee agreed to accept the report, subject to Mr Woods providing brief report on the outcome of the job evaluations in parallel with the 2014/15 Internal Audit Plan at the next meeting, and confirming that he has sufficient resource to deliver the Internal Audit plan, or what extra resource he would need to deliver the desired Internal Audit plan.

DW

37.5 CFS – Referrals & Operations – December 2013

37.5.1 Mr Woods introduced the summary of CFS referrals and operations as at December 2013. He advised that there had been no court appearances since the September meeting.

37.5.2 The Committee accepted the CFS – Referrals & Operations report.

38. **External Audit Reports**

38.1 NHS Lothian Scotland's Public Finance's: Addressing the Challenges. A Target Follow-up Report.

38.1.1 Mr Perston gave a detailed overview of the report that provided details on how NHS Lothian had responded to the challenges of budget constraints and

efforts to achieve sustainability. He went on to highlight that the key findings had focused on whether the Board have sustainable financial plans which reflect a strategic approach to cost reduction and whether senior colleagues demonstrated ownership of financial plans that were subject to scrutiny prior to approval.

38.1.2 Members noted that overall NHS Lothian had a good framework to address any challenges of public sector budget constraints that they may face. The Committee agreed to accept the report.

38.2 NHS Lothian Review of Internal Audit 2013/14

38.2.1 Mr Lodge introduced the letter that summarises the reliance that Audit Scotland can place on the Internal Audit Team.

38.2.2 The Committee agreed to accept the letter.

39. Management Controls Capacity (Decision)

39.1 Quality and Outcomes Framework (QOF) 2012/13 Minutes of QOF Payment Verification Group 29 May 2013

39.1.1 Mrs Goldsmith presented the minutes of the QOF Group.

39.1.2 The Committee agreed to accept the QOF Minutes.

39.2 Procurement from Private sector for Waiting list Initiatives Update on Internal Audit Actions

39.2.1 Members noted the report that updates the Committee on progress made against the Internal Audit Actions on the procurement from private sector for waiting list initiatives.

39.2.2 Mrs Goldsmith advised that the CLO was currently working with Medinet to produce a formal contract. She anticipated that all contracts for external providers would be complete by Christmas.

39.2.3 Members noted that following receipt of incomplete invoices from SPIRE, the Director of Unscheduled Care had reinforced that invoices without the necessary CHI numbers would not be processed.

39.2.4 The Chief Executive reported that a meeting had been scheduled with trade union colleagues to discuss concerns raised in relation to the use of private sector companies and procurement next week. Mrs Goldsmith agreed to circulate this report, the initial report and the clinical governance report as background information in advance of the meeting.

39.2.5 The Committee agreed to accept the report.

39.3 Integration: Process and Update

SG

- 39.3.1 The Chief Executive introduced the report that updated the Committee on the integration process of establishment of the four Health and Social Care Partnerships. He explained that NHS Lothian would continue to pursue the “body corporate” integration model.
- 39.3.2 Following the recent Board Session on Integration it was noted that there would be a further session on 17th December 2013.
- 39.3.3 The Chief Executive anticipated that the integration plans would be produced for Board and Council approval in November / December 2014, and submitted to Scottish Government. It was unclear how long it would take for the Scottish Government to review and approve integration plans, colleagues to respond however they had instructed that the earliest opportunity that the system could go live was 1 April 2015.
- 39.3.4 The Committee accepted the Report. The Chair requested that Integration remains on the Audit and Risk Committee Agenda and that a short paper to update the Committee be brought forward to its next meeting.

AMcM

39.4 Quality and Volume of Board Papers

- 39.4.1 The Committee noted the report on the work taken to improve the quality and reduce the volume of board papers.

39.5 Overview of Tax Compliance Risk in NHS Lothian

- 39.5.1 Mr Martin gave a detailed overview of the report on relevant issues in relation to overall compliance with tax laws within NHS Lothian. He highlighted that the main areas of compliance tax risk were VAT recovery on contracted services and business activities and employment taxes.

Contrary to paragraph 3.5 in the paper, Mr Woods advised the committee that Internal Audit does not test systems for VAT and employment taxes annually.

- 39.5.2 It was agreed that assurance on tax compliance would remain on the Audit and Risk Committee Agenda. Mrs Goldsmith would bring back a brief report to update the Committee in February 2014.

SG

40. Items for information

40.1 Audit Scotland: Technical Briefs 2013

- 40.1.1 Mr McConnell introduced the report on Audit Scotland: Technical Briefs, he specifically highlighted item 3.5 of the report in relation to Internal Audits changing role and the consolidation of the accounts.

- 40.1.2 The Committee noted the report for information.

41. Any Other Competent Business

41.1 There were no other items of competent business.

42. Date of Next Meeting

42.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 10 February 2014 at 9:00 in Waverley Gate, Edinburgh. Committee members only are asked to attend by 8.45 for the scheduled 15-minute pre-meeting.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 10 February 2014 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr J Brettell (in the Chair); Mr M Ash; Dr M Bryce; Councillor R Henderson and Councillor C Johnstone.

In Attendance: Ms J Bennett (Clinical Governance & Risk Manager); Mr G Curley (Director of Operations (Facilities)) (*For items 4.2 and 7.1*); Mr T Davison (Chief Executive); Mr D Gillan (Head of Catering and Logistics) (*For items 4.2 and 7.1*); Mrs S Goldsmith (Director of Finance); Ms D Howard (Head of Financial Control); Mr B Houston (Chairman); Mr D McConnell (Audit Scotland); Ms H Neilson (Modernisation Manager) (*For item 7.5*); Mr A Payne (Corporate Governance Manager); Mr A Perston (Audit Scotland); Mr D Proudfoot (Deputy Chief Internal Auditor); Mr D Woods (Chief Internal Auditor); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Ms K Blair, Councillor D Grant.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

43 Internal Audit Report – Hospital Catering (September 2013) and Update on Action Taken in Response to Internal Audit Report on Catering.

- 43.1 Members noted that Mr Gillan, Catering and Logistic Manager and Mr Curley, Director of Operations (Facilities) were attending in response to Members' request to receive explanation on what action had been taken to address management actions raised in the Internal Audit report on Hospital Catering.
- 43.2 Mr Gillan gave a detailed overview of actions taken so far. He highlighted that food provided to patients had now been fully analysed for nutritional adequacy and that previous concerns around calorific content had been resolved. Also, issues relating to mineral content, primarily sodium, were being addressed. In addition, analysis of nutritional adequacy has been undertaken for a standard patients' snacks list, approved by Ms Douglas, Chair of Lothian Nutritional Care Group.
- 43.3 Mr Gillan advised that the recommended programme for monitoring food waste (untouched meals) had been implemented to improve consistency across NHS Lothian.

- 43.3 There was some discussion on the programme of re-investment for catering equipment and the timely appointment of a National Contract for Catering Equipment Maintenance. Mr Gillan advised that an updated inventory of kitchen equipment would be complete by March 2014 and proposed that advice around food temperature recording at ward level be taken forward by the Lothian Nutritional Care Group.
- 43.4 Mr Gillan reported that compliance with the New Food Safety Assurance Manual by March 2014 would address the requirement to implement consistent cleaning documents and guidance throughout Catering.
- 43.5 Mr Woods confirmed that the action taken by Mr Gillan should address the issues raised by the Internal Audit of Catering Services. The Chair requested that a follow up report be submitted in April 2014 to advise the Committee of progress made against the outstanding actions, and thanked Mr Gillan and Mr Curley for attending.

DG

Mr Gillan and Mr Curley left the meeting.

44 Minutes of the Previous Meeting

- 44.1 Minutes of the previous meeting held on 9 December 2013 – The Committee approved the circulated minutes as a correct record.

45 Matters Arising

- 45.1 Matters Arising from the Meeting of 9 December 2013 – the Committee received the paper detailing the matters arising from the Audit & Risk Committee meeting held on 9 December 2013, together with the action taken and the outcomes.
- 45.2 The Committee accepted that the actions detailed within the Running Action Note were complete or on track for completion by the intended target date.

46 Risk Management

Risk Register Update

- 46.1.1 Ms Bennett gave a detailed overview of the report. She drew the Committee's attention to the review of the risk register, and the changes made to the register to address issues from the previous meeting. She went on to highlight the specific section on risk appetite and diagram therein.
- 46.1.2 The Chair advised that he would attend the next meeting of the Risk Management Steering Group to discuss NHS Lothian's risk appetite. Once a way forward was agreed a report would be taken to the Board to ensure that all Board members have a shared understanding of Risk Appetite and how it relates to the Corporate Objectives. The Committee reviewed the diagrammatic representation of risk appetite that had been drafted and agreed this was helpful as a way forward following the discussion at the last committee meeting.

46.1.3 Mr Davison acknowledged the importance of getting a clear understanding of the different levels of risk and how they related to a hierarchy of corporate objectives as the Board moves forward with risk appetite.

46.1.4 Following a brief discussion on the context of risk (3567) Health and Social Care Integration, it was agreed that Ms Bennett would revisit the wording with managers.

JB

46.1.5 The Chair requested that Ms Bennett add a line to the risk register clarifying that risks are scored out of 25, and to review the register so that there is consistency throughout the “adequacy of control / risk rating” section of the risk register.

JB

46.1.6 The Committee thanked Ms Bennett for the report and acknowledged the progress that had been made over the last year in developing the corporate risk register, the system of risk management and guidance on risk appetite.

47 Internal Audit & Counter Fraud Reports

47.1 Internal Audit – Progress Report January 2014

47.1.1 Mr Woods gave a brief overview of the report and highlighted that as at 27 January 2014, 4 audits were in fieldwork, 2 reports were draft, 11 reports were complete and 1 audit (year-end stock-taking) was in the planning stage. He highlighted that the recent improvement by management in implementing agreed actions was maintained.

47.1.2 The Committee accepted the Internal Audit Progress Report – January 2014.

47.2 Draft Internal Audit Plan 2014-15

47.2.1 Mr Woods introduced the draft internal audit plan detailing the proposed audits, scopes and quarters for the coming financial year along with tables showing the audit universe of 120 audit topics and how they are mapped with the Corporate Risk Register. He highlighted that scopes within the audit plan now listed the control objectives expected to be covered by the audits, before inviting members present to comment on the plan. The Chair noted it was vital for members to be comfortable with the more explicit scope detailed, as this was designed to ensure that the audit reports focussed also on ensuring the outcomes were reviewed to committee members satisfaction.

47.2.2 In response to a query from Dr Bryce, Mr Woods advised that although a stand alone audit of Staff Governance is not included in the audit plan, the topic features regularly in other audits. He advised that if control issues in relation to staff governance were identified during audits, then recommendations would be raised during those audits.

47.2.3 Dr Bryce asked if the scope of the Complaints audit would consider how the complaints process engages and affects people. Mr Woods explained that

the current control objectives did not fully cover this and agreed to discuss with Dr Bryce any necessary amendments out with the meeting.

MB/DW

47.2.4 Mr Ash requested that in addition to Dr Bryce's request for the Complaints audit, he would like the audit to consider how the organisation categorises, analyses and monitors complaints.

DW

47.2.5 The Committee discussed the recent BBC programme on fraud in NHS Scotland and whether investigations highlighted by the programme had brought any other areas of fraud forward for consideration. Mr Woods advised that NHS Lothian was continuously working to identify new areas of fraud. He advised the Committee of work by the NHS Lothian's Counter Fraud Action Group in applying the Fraud Risk Assessment Methodology developed by Counter Fraud Services and agreed to bring a report on this to the April meeting.

DW

47.2.6 Following discussion around how the audit universe would include the prevention & detection of cyber attack in the internet / intranet, it was agreed that the Chair of the Information Governance Committee would be invited to attend and present a paper at the April meeting.

JMB

47.2.7 In response to a query from the Chair, Mr Woods assured the Chair that though a specific audit of Violence and Aggression had not been carried out since May 2007, the topic had been included in other audits such as Physical Security within this year's audit plan.

47.2.8 The Committee approved the Internal Audit Plan 2014-15.

47.3 CFS – Referrals & Operations – January 2014

47.3.1 Mr Woods introduced the summary of CFS referrals and operations as at January 2013. He advised that 2 referrals and 7 operations were currently open.

47.3.2 In response to Councillor Henderson's question about consistency on outcomes following investigations, Mr Woods advised that whether an employee was prosecuted was dependant on the level of evidence against them.

47.3.2 The Committee accepted the CFS – Referrals & Operations report.

48. External Audit Reports

48.1 NHS Lothian Annual Audit Plan 2013/14

48.1.1 Mr McConnell introduced the External Auditor's Annual Audit Plan 2013/14. He gave a brief overview of the key risk areas under the two main headings: financial statements audit, eg new accounting requirements for endowments and wider issues and risks, eg waiting times.

48.1.2 In response to a question, Mr McConnell advised that the way to address misrepresentation of the consolidation of the endowments funds would be in the accuracy and clarity of the narrative and notes of the annual accounts.

48.1.3 The Committee agreed to accept the Audit Scotland NHS Lothian Annual Audit Plan 2013/14.

49 Corporate Governance (Decision)

49.1 Overview of Tax Compliance risks in NHS Lothian

49.1.1 Mrs Howard gave an overview of the report that provided further information on NHS Lothian tax compliance risks. She highlighted that the main risks were associated with VAT for contracted-out services and business activities, and employment taxes (PAYE).

49.1.2 Mrs Howard advised that NHS Lothian was currently positioned at the top end of the acceptable level for inaccuracies for VAT recovery, however work is continuing to bring down the level of inaccuracies. It was noted that as a result of the processes in place, NHS Lothian did not experience any losses.

49.1.3 The Committee agreed to accept the report on Tax Compliance Risks in NHS Lothian.

49.2 Review of the Standing Orders

49.2.1 Mr Payne introduced the paper on the review of the standing orders. He advised that the review had two broad themes. The review has removed unnecessary material and re-ordered text in order to make the document as a whole flow better. Also the section on “matters reserved to the Board” has been revised.

49.2.2 Mr Payne agreed to look into the regulations surrounding private meetings, declaration of their purpose and disclosure of their papers before revising paragraph 4.8 of the draft standing orders. **AP**

49.2.3 Members agreed that the quorum of the Board should be amended to state that the ‘quorum of at least one third of the whole number of members, including at least five non-executive Board members.’ **AP**

49.2.4 Mr Payne agreed to revise the last sentence of paragraph 5.16 of the draft standing orders so as to improve clarity. **AP**

49.2.5 The Committee agreed to recommend that the Board approves the standing orders, subject to the inclusion of the suggested changes.

49.3 Update on Actions Taken on Waiting Times Management

49.3.1 Ms Neilson gave a brief overview of the report that updated Committee Members on the progress of waiting time recommendations since the

September meeting. She advised that appendix 1 summarised the changes to the assurance framework.

49.3.2 The Chair requested that Ms Neilson bring back an example of the forensic dashboard and a paper on the outcome of the sampling process to the April 2014 meeting of the Audit and Risk Committee.

HN

49.3.3 The Committee agreed to accept the report on the actions taken on waiting times management.

49.4 Instructions on Governance Statement

49.4.1 Mr Payne introduced the paper on instructions on the governance statement. He highlighted that references to the UK Code of Corporate Governance have been removed from the guidance.

49.4.2 Mr Payne confirmed that any issues from directors' certificates of assurance and committee annual reports will be summarised and circulated to members before the June meeting.

AP

49.4.3 The Committee agreed to accept the Instructions on the Governance Statement.

50 **Items for information**

50.1 Integration: Process and Update

50.1.1 The Committee noted the report on Integration: Process and Update for information.

50.1.3 The Committee noted the report for information.

51. **Any Other Competent Business**

51.1 Audit Scotland Reports

51.1.1 In response to Mr Ash question, Mr Payne advised members of the process for receipt of Audit Scotland reports. He agreed to bring forward a paper indicating whom reports had been passed to at future meetings.

52. **Date of Next Meeting**

52.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 7 April 2014 at 9:00 in Waverley Gate, Edinburgh. Committee members only are asked to attend by 8.45 for the scheduled 15-minute pre-meeting.

Subsequent to the meeting, the Committee held a private meeting with Internal Audit, External Audit, and the Risk Manager.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 7 April 2014 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr J Brettell (in the Chair); Mr M Ash; Councillor D Grant; Councillor R Henderson and Councillor C Johnstone.

In Attendance: Mr T Davison (Chief Executive); Mrs S Goldsmith (Director of Finance); Ms D Howard (Head of Financial Control); Ms S Gibbs (Deputising for Ms J Bennett); Mr B Houston (Chairman); Professor A McCallum (for items 4.3 & 7.3); Ms H Neilson (for item 7.4); Mr A Payne (Corporate Governance Manager); Mr A Perston (Audit Scotland); Mr D Proudfoot (Deputy Chief Internal Auditor); Ms S Ballard-Smith (for items 4.2 & 4.4); Mr D Woods (Chief Internal Auditor); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Dr M Bryce, Ms J McDowell, Ms J Bennett and Mr D McConnell.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

1 Minutes of the Previous Meeting

- 1.1 Minutes of the previous meeting held on 10 February 2014– The Committee approved the circulated minutes as a correct record.

2 Matters Arising

- 2.1 Matters Arising from the Meeting of 10 February 2014 – the Committee received the paper detailing the matters arising from the Audit & Risk Committee meeting held on 10 February 2014, together with the action taken and the outcomes.
- 2.2 The Committee accepted that the actions detailed within the Running Action Note were complete.

3 Internal Audit - Bed Management – November 2013

- 3.1 Ms Ballard-Smith responded to the report. She highlighted that Ms Dawson would lead the ongoing review of bed flow and capacity in NHS Lothian. Actions had been identified and would be achieved within the designated timescales.

- 3.2 Mr Davison advised the Committee that the transfer of responsibility for Bed Management to Ms Johnson was a recent event. In response to a query relating to the lack of progress in moving to the noted single bed management systems, Mr Davison advised that Management no longer consider a single system approach to bed management to be appropriate. Instead there will be a decentralised approach with bed management led at each of the three main hospital sites, with the understanding that the sites are expected to work effectively with each other. The Committee was informed that there will be an event on 9 May examining the model of unscheduled care at the Western General, and this will include considering reducing that hospitals period of take of patients.
- 3.3 Mr Ash asked whether there is anything that the CHPs can do to support addressing the general problem of bed management, e.g. improving the linkages to social care. Ms Ballard-Smith agreed to follow up on this point. **SBS**
- 3.4 Mr Davison advised that the big issue in social care is capacity, both in terms of the availability of social care staff for conducting assessments and the availability of care home places.
- 3.5 Mr Brettell concluded that he took a lot of confidence and assurance from the action plan in the report. The Committee accepted the report.

4. Internal Audit - Medicines Management on Wards – March 2014

- 4.1 Ms Ballard-Smith responded to the report. She advised that following the report being issued, a detailed action plan had been drafted and if appropriate she would circulate it to members following the meeting. She advised that she considered it important to start the process with a letter to the operational areas, and she confirmed that action will be driven at site level by the clinical nurse managers and chief nurses.

Ms Gibbs joined the meeting.

- 4.2 The Committee was concerned that the action plan in the audit report was lacking in detail, and consequently agreed that the report should remain as a draft and was not at this stage accepted by the Committee. The Committee agreed that the report should be re-presented at the next meeting with a more detailed action plan, and that Ms Ballard-Smith and Professor Timoney be invited to attend the next meeting to discuss the action plan . **SBS/ DW**

Ms Ballard-Smith left the meeting.

5 Risk Management

5.1 NHS Lothian Corporate Risk Register Update

- 5.1.1 Ms Gibbs gave a detailed overview of the report. She drew the Committee's attention to the changes made to date and highlighted that there had been little movement. Further work on the acute risk register was ongoing.

5.1.2 The Committee discussed the issue of “adequacy of controls”, and asked that future versions of this paper include a glossary of terms. Mr Brettell queried why some of the risks still had “uncertain” against them, given that the risks had been on the register for some time. Mr Payne suggested that it may be appropriate to revisit how the risks have been defined. He commented that if the risk is broadly defined and it is unclear what the residual risk is, then it is in practice virtually impossible to identify the relevant controls and assess their adequacy.

5.1.3 The Committee agreed that this feedback should be considered by the Risk Management Steering Group. TD/JB

5.1.4 Mr Brettell requested that the final proposal for reporting risk appetite and tolerance to the Board be presented at the next meeting of the committee. TD/JB

5.2 Risk Management Annual Report 2013-14

5.2.1 Ms Gibbs presented the Risk Management Annual Report 2013-14. The Committee was advised that future plans would include focus on the review of the incident management policy and procedure, the development of a serious adverse event action plan and how to engage patient and family feedback.

5.2.2 The Chair commented that this was a very good report and it reflected the transformational work that had been undertaken, including the welcome establishment of the executive RMSG. There was discussion that high priority developments included (1) more detail and visibility re complaints, (2) more visibility and better reporting of risks to the Board. The Committee agreed to accept the report as part of the evidence that informed the NHS Lothian Governance Statement.

6 **Internal Audit & Counter Fraud Reports**

6.1 Internal Audit – Progress Report March 2014

6.1.1 Mr Woods gave a brief overview of the report and highlighted that as at 24 March 2014 for the 18 reports in the plan, 1 audit (annual stock taking) was in the planning stage 2 audits were in fieldwork, 1 report was in draft, and 14 reports were complete. He highlighted that the regular reporting on follow-up would now report on the number of outstanding management actions rather than the number of issues raised in an audit report.

6.1.2 The Committee accepted the Internal Audit Progress Report – March 2014.

6.2 Internal Audit - Emergency Planning – December 2013

6.2.1 Professor McCallum responded to the report on emergency planning. She advised that she had wanted the audit to take place given the significant changes to the management structure within NHS Lothian.

6.2.2 Mr Proudfoot advised that the new Emergency Planning Officer had introduced a positive attitude into the subject. He did highlight the risks of waiting several years for external guidance to be published and not updating internal documentation in a timely manner. The nature of emergency

planning means that it is particularly important to keep all documentation current.

6.2.3 The Committee agreed to accept the report.

6.3 Reports with fully satisfactory or Satisfactory Ratings – March 2014

6.3.1 Mr Woods advised the Committee that 2 reports with satisfactory ratings had been issued since the last meeting. He spoke to the report on the JAC implementation, noting that the review of the Pharmacy Stores had been delayed until the implementation of the JAC system had been completed. Mr Woods advised that a project structure for implementing JAC was well established. Following some delays due to the drugs file compiled by the system's supplier being incomplete, JAC is scheduled to be implemented in two phases in May 2014.

6.3.2 Mr Proudfoot spoke to the second satisfactory report on Utilities Management. He advised that the audit had focused on clarification of whether the rates that NHS Lothian was being charged were in line with the national agreement, along with NHS Lothian's requirements for reducing carbon emissions.

6.3.3 Mrs Goldsmith confirmed that NHS Lothian did not have flexibility to negotiate better rates with utilities companies directly as such agreements were agreed at a national level by NHS National Procurement. She noted that work on a new pilot to address these concerns and put NHS Lothian in a better position to negotiate was being lead by Mr Curley, Director of Facilities.

6.3.4 The Committee agreed to accept the report.

6.4 Audit Opinions and Reports

6.4.1 Mr Woods advised the Committee that the report had been produced in response to comments on the grading system for audits at the December Audit and Risk Committee meeting. He then invited members to comment on the points based system and the minor restructuring of the internal audit reports.

6.4.2 Mr Payne supported the approach but suggested some minor changes to the scoring system, so as to help differentiate reports that would otherwise cluster together. Mr Ash supported this.

6.4.3 The Committee agreed to support the approach being taken. Mr Brettell suggested that Mr Woods should liaise with Mr Payne to give further consideration to the points system. Mr Brettell confirmed however that ultimately it was for Mr Woods to decide on the best approach to be taken.

DW

6.5 CFS – Referrals & Operations – March 2014

6.5.1 Mr Woods introduced the summary of CFS referrals and operations as at March 2014. He advised that 1 referrals and 7 operations were currently open.

6.5.2 The Committee accepted the CFS – Referrals & Operations report.

6.6 Fraud Risk Assessment Methodology

- 6.6.1 Mr Woods gave a brief overview of the report highlighting that the report had arisen from the Committee requesting further information on the fraud risk assessment methodology.
- 6.6.2 The Committee agreed to accept the report.

7. External Audit Reports

7.1 NHS Lothian: Review of Internal Controls 2013/14

- 7.1.1 Mr Perston introduced the report. He highlighted that Audit Scotland were content to place reliance on the Internal Audit Team.
- 7.1.2 Mr Perston commented that this is a positive report, and the fact that only one issue had been raised is a reflection of a mature control environment. Members noted that the one issue raised regarding the PSD/ NSS Payment schedules had been acknowledged and action to ensure that the appropriate counter signatures were obtained was being addressed by the responsible officer.
- 7.1.3 The Committee agreed to accept the report.

7.2 Best Value Toolkit- Efficiency 2013/14

- 7.2.1 Mr Perston introduced the report on achieving Best Value whilst ensuring sound governance, good management, public reporting on performance and focus on improvement within NHS Lothian. He gave a brief overview of the report highlighting the actions detailed within appendix A.
- 7.2.2 Mr Perston drew the Committees attention to the challenges associated with benchmarking. He acknowledged that accurate benchmarking would only be achieved once the NSI tool was implemented and even then it may not be achievable.
- 7.2.3 Mrs Goldsmith informed the Committee that the Finance & Resources Committee has already agreed to provide more focus on efficiency. In particular it will scrutinise the robustness of the plans for efficiency, rather than just monitoring the extent of delivery.
- 7.2.4 The Chair welcomed the overall assessment of “Better Practice”. The Committee agreed to accept the report.

Ms H Neilson entered the meeting.

8 Corporate Governance

8.1 Stores Loss: Cancer Medication Fridge Failure Incident

8.1.1 Ms Howard gave a detailed overview of the incident. She requested that the Audit and Risk Committee note the circumstances surrounding the incident and approve the recommendation that the Director of Finance approach SGHSCD to obtain retrospective approval of the loss which is above the Board's delegated limit.

8.1.2 The Committee agreed that the loss should be referred to the Scottish Government for approval.

8.1.3 Mr Brettell highlighted that the paper did not give assurance as to what has been learned from this incident. The system appears to have worked as intended but still a loss was incurred, and members took no comfort or assurance in the processes that had been put in place to address this failure. The Chair requested that Ms Ballard-Smith and Dr Timoney investigate this matter further and bring forward a report to the next meeting.

SBS/AT

8.2 Stock Loss: Stock Count Discrepancies

8.2.1 Ms Howard spoke to the previously circulated report on stock discrepancies. She advised that following the exercise transactions relating to pre 2006 gave a stock loss of £56,405. A similar exercise had also identified that NHS Lothian holds a credit balance of £137,032. Ms Howard advised that she had confirmed with the Scottish Government that the loss should be viewed separately and that it should be referred for approval .

8.2.2 The Committee agreed that the loss should be referred to the Scottish Government for approval

8.3 eHealth Security

8.3.1 Professor McCallum gave a brief overview of the report on eHealth Security. She advised the Committee that the report was part of the ongoing work to ensure that the security of data within services that rely on information technology remains secure.

8.3.2 The Committee agreed to accept the report.

8.4 Waiting Times Assurance Framework

8.4.1 Ms Neilson introduced the report on the waiting times assurance framework. She drew highlighted the forensic dashboard, progress regular with sampling, and the standard operating procedures.

8.4.2 Following a brief discussion the Committee agreed that it was assured that the systems of control were satisfactory and agreed that it could be removed from the Committee's agenda. It was noted that the assurance need would be routinely monitored by the new Acute Hospitals Committee and that the Board would receive an assurance report every 6 months. .

8.4.3 The Committee agreed to accept the report on the waiting times assurance framework.

8.5 Accounting Policies

8.5.1 Mrs Goldsmith advised the Committee that the significant change to the accounts would be the inclusion of the Foundation's accounts. She advised that work on the disclosure of pensions was ongoing.

8.5.2 The Chair confirmed that it would be helpful for the committee to see the summary figures from the Foundation's annual accounts and requested that Ms Howard invite the Foundation's external auditors to the meeting in June 2014.

DH

8.5.3 The Committee agreed to accept the report on accounting policies.

8.5.4 The Chair confirmed that Ms Howard should send him a copy of the draft NHS Lothian accounts so that he may carry out a preliminary review.

DH

8.6 Scheme of Delegation

8.6.1 Mr Payne presented the updated Scheme and highlighted the changes that had been made and tracked throughout the document to reflect changes in the management structure. He invited the Committee to review the draft and advise whether any further changes were required.

8.6.2 The Committee had no further changes and agreed that the revised Scheme of Delegation should be recommended to the Board.

8.7 Results of the Committee Survey

8.7.1 Mr Payne provided background that lead to the Committee survey and its purpose to enhance the narrative in the Audit and Risk Committee Annual Report. Overall he noted that there had been positive feedback from the members however further training, development and effective contribution skills had been cited as an area that required improvement.

8.7.2 The Committee agreed to accept the report on the results of the Committee survey and to use it for further discussion.

9 **Items for information**

9.1 Catering Audit

9.1.1 The Committee noted the update on the catering audit which confirmed that the management actions had been addressed.

10. Any Other Competent Business

10.1 Audit and Risk Committee Reports

10.1.1 Mr Ash highlighted that an opportunity for development was to ensure that papers to the committee were clearer on what assurance they were providing. Mr Payne agreed to monitor this when papers are being drafted for future meetings, with regard to the instructions that he had issued in November 2013 on the drafting of Board and committee papers.

10.1.2 Mr Ash tendered his apologies for the next meeting on 23 June 2014.

11. Date of Next Meeting

11.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 23 June 2014 at 9:00 in Waverley Gate, Edinburgh. Committee members only are asked to attend by 8.45 for the scheduled 15-minute pre-meeting.

Subsequent to the meeting, the Committee held a private meeting with members.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 23 June 2014 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr J Brettell (in the Chair); Dr M Bryce; Councillor D Grant; Councillor R Henderson and Councillor C Johnstone.

In Attendance: Ms J Bennett (Clinical Governance & Risk Manager); Mr T Davison (Chief Executive); Gillian Donald (Scott-Moncrieff) (for item 5.9 on the agenda); Dr M Douglas (Consultant in Public Health); Mrs S Goldsmith (Director of Finance); Ms D Howard (Head of Financial Control); Ms M Johnson (Director of Unscheduled Care); Ms B Livingston (Financial Controller); Mr P Lodge (Audit Scotland); Mr C Marriott (Deputy Director of Finance); Mr D McConnell (Audit Scotland); Ms J McDowell (Non-Executive Board member and designate Committee member); Mr A Payne (Corporate Governance Manager); Mr A Perston (Audit Scotland); Mr D Proudfoot (Deputy Chief Internal Auditor); Mr D Woods (Chief Internal Auditor); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr Ash, Mr Houston and Professor Timoney.

The meeting was preceded and followed by a closed meeting of members only.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

12 Minutes of the Previous Meeting

12.1 Minutes of the previous meeting held on 7 April 2014– The Committee approved the circulated minutes as a correct record.

13 Matters Arising

13.1 Matters Arising from the Meeting of 7 April 2014 – the Committee received the paper detailing the matters arising from the Audit & Risk Committee meeting held on 7 April 2014, together with the action taken and the outcomes.

13.2 Mr Payne advised that the further report on the Stores Loss: Cancer Medicines Fridge Failure incident had been deferred until the September meeting.

13.3 The Committee accepted the actions detailed within the Running Action Note.

14. Medicines Management on the Wards

14.1 Ms Johnson advised that the audit report had been re-submitted in response to the Committee request for further detail on the actions that will be taken to address the issues in the report. She highlighted the revised action plan that will create a robust and sustainable process, that dedicated resource is in place to implement it, and the Nurse Director shall monitor it.

14.2 The Chair queried whether the plans were likely to be achieved given the recent negative trend in the progress of outstanding actions following the audit of the Medicines Management on wards, and given the action noted in the June 2010 audit had not been implemented. Ms Johnson assured the Committee that action would be taken though it was unlikely that significant progress would be made before the September Committee meeting. She agreed to bring forward a full report on Medicines Management on the Wards to the Audit and Risk Committee meeting on 8 December.

MJ

14.3 The Committee agreed to accept the report. Ms Johnson left the meeting.

15 Risk Management

15.1 NHS Lothian Corporate Risk Register Update

15.1.1 Ms Bennett gave a detailed overview of the report. She drew the Committee's attention to the changes made to date.

15.1.2 The Committee reviewed Table 2 in the report, which provided the rationale why some risks had "inadequate" or "uncertain" for adequacy of controls.

15.1.3 The Committee discussed timescales and the issue of "adequacy of controls" against roadway/ traffic management (Risk ID: 3328). Mr Davison assured the Committee that the Risk Management Steering Group was scrutinising this particular risk. There has been a high level of financial investment, however more is required. As yet the funding to support this investment has not been secured. The Committee agreed that:

- It will refer this risk to the Staff Governance Committee for its scrutiny, as that committee has within its remit the responsibility for monitoring the governance arrangements for health & safety.
- The rationale for the "adequacy of controls" to be reviewed to more clearly reflect the reason why the controls are graded as "inadequate".
- It will request from the Staff Governance Committee a report on the status of this risk and how it is being managed for its meeting of 8 December 2014.

AP

JB

AJ/ AB

15.1.4 The Committee requested that an action plan be put in place for the new financial risk (Risk ID: 3328). Mrs Goldsmith confirmed that this will be done, and advised the Committee that the action plan will be presented to the Finance & Resources Committee as it is pertinent to that committee's assurance needs.

SG

15.1.4 The Committee requested that the patient experience risk (Risk ID: 3454) be revisited by management to clarify what the risk is, and what the status of the controls is.

JB

15.1.5 Ms McDowell advised the Committee that the risks listed under the heading of Staff Governance Committee within the corporate risk register (in Table 3 of the report) did not reflect discussions at the Staff Governance Committee or those specifically highlighted in the Staff Governance Committee's Annual Report. The Committee agreed that this matter should be referred to the Chair of the Staff Governance Committee.

AP

15.1.6 The Committee discussed the logic of risks having controls assessed as "inadequate" whilst the Governance Statement had the conclusion that there are adequate and effective controls in place. The discussion highlighted that corporate risks are typically broad in nature, and consequently it is unlikely that there would be a system of control that would definitively address them. What is key is that there are robust systems of governance, risk management and internal control in the organisation that will flag problem areas, which in turn will prompt remedial action. Mr Davison advised that he was content with the risk management system as outlined within Governance Statement. He drew the Committee's attention to the wording at the start of the Governance Statement which says: "The system of internal control is designed to manage rather than eliminate risk of failure to achieve the Board's policies, aims and objectives. As such it can only provide reasonable and not absolute assurance."

15.1.7 Ms Bennett advised that a report on the high and very high risks would be presented at the September meeting of the Audit and Risk Committee.

15.1.8 The Committee agreed to accept the report.

15.2 NHS Lothian Risk Appetite Reporting Framework

15.2.1 Ms Bennett gave a detailed overview of the report. She highlighted that the following discussions with the members of the Board the NHS Lothian risk appetite statement had been approved in February 2014.

15.2.2 The Chair requested that Ms Bennett review the statement at 3.1 (1) to clarify the sentence. He also requested that 'acting on behalf of the Board' should be added to (2).

15.2.3 The Chair highlighted that where a corporate objective has been assigned a low risk appetite, then it would be logical for the associated tolerance to have a narrow range. He highlighted an example within Corporate Objective 1: 95% harm free care with a tolerance of 90-95%. The implication of this is that 10% of patients could be harmed without the Board's risk appetite being breached.

15.2.4 The Committee identified further opportunities for the stated tolerances to be expressed more clearly, so that they are understandable to all.

15.2.5 The Chair did conclude that the paper represented excellent work and would place the Board in a stronger position. Ms Bennett agreed to address the committee's feedback before presenting the final version to the Board in August.

JB

15.2.6 The Committee agreed to accept the report and support the proposal, subject to the comments made.

16 Internal Audit & Counter Fraud Reports

16.1 Internal Audit – Progress Report June 2014

16.1.1 Mr Woods gave a brief overview of the report and highlighted that the final two reports from the audit plan for 2013/14 were being finalised, while good progress has been made with the first audits in the plan for 2014/15. He highlighted that Internal Audit had been asked to defer the audit on Homecare Services to allow service managers to address issues that are already recognised. The Audit & Risk Committee agreed to the audit being deferred, with Mr Woods advising that fieldwork for the audit was now scheduled to take place in November 2014.

16.1.2 The Chair expressed concerns that as at 9 June 2014 42 management actions remained outstanding of that 69% were over their target date, a significant increase on previous months. Mr Woods advised the Committee that this increase appeared to be attributable to timing issues, rather than any change in service managers' commitment to address management actions.

16.1.3 The Committee accepted the Internal Audit Progress Report – June 2014.

16.2 Internal Audit – Reports with Fully Satisfactory or Satisfactory Ratings June 2014

16.2.1 Mr Woods advised the Committee that 1 report with a satisfactory rating had been issued since the last meeting – “Hospital Admissions”.

16.2.2 The Committee agreed to accept the report.

16.3 Annual Report by Internal Audit for Year Ended 31 March 2014

16.3.1 Mr Woods gave a brief overview of the annual report. Based on Internal Audit's work, he was able to confirm that generally adequate and effective internal controls had been operating throughout the year; the Accountable Officer has implemented a governance framework sufficient to discharge the responsibilities of his role; and the Internal Audit plan has been delivered in accordance with the Public Sector Internal Audit Standards.

16.3.2 The Committee agreed to accept the annual report.

16.4 Future Provision of Internal Audit Services

16.4.1 Mrs Goldsmith presented the paper. Following the resignation of the Chief Internal Auditor it is necessary to review the provision of internal audit services. She proposed that the most effective and viable option would be to outsource the provision of the internal audit service.

16.4.2 Following a brief discussion with members Mrs Goldsmith agreed to investigate both outsourcing the whole services and the possibility of retaining current staff with external management. Mrs Goldsmith did highlight that from her experience she found that the external management option did not work

well in practice. Mrs Goldsmith advised that the issue will be discussed at the Lothian Partnership Forum. The Chair of the Audit and Risk Committee confirmed that he will be engaged in the process of securing the future provision of internal audit.

16.4.3 The Committee agreed to accept the report, and took the opportunity to thank Mr Woods for his excellent work during his tenure, noting he supported the recommendations presented by Mrs Goldsmith.

16.5 Counter Fraud Services – Referrals and Operations June 2014

16.5.1 Mr Woods introduced the summary of CFS referrals and operations as at June 2014. He advised that 1 referral and 7 operations were currently open.

16.5.2 The Committee asked for a report which showed the percentage of all overseas patients who default in paying their fees for healthcare. DH

16.5.3 The Committee accepted the CFS – Referrals & Operations report.

16.6 Fraud Referrals & Operations for Year to 31 March 2014

16.6.1 Mr Woods presented the report, which confirmed that the level of fraud referrals is consistent with previous years.

16.6.2 The Committee agreed to accept the report, after a comprehensive discussion relating to debts arising from Overseas Patients. Whilst this represented a large portion, it was estimated that problems arise in less than 10% of Overseas patients cases, and all issues go to the debt recovery process. SG

16.7 NHS Lothian: Patient Exemption Checking and Potential Fraud 2013/14

16.7.1 The Committee agreed to accept the report.

Gillian Donald (Scott-Moncrieff) joined the meeting.

17. Edinburgh & Lothian Health Foundation Annual Report and Accounts

17.1 Mrs Goldsmith gave a brief overview of the Foundation annual report and accounts. Key balance sheet movements are:

- Cash awaiting investment balances are very high at year end due to timing of transfer of investment portfolio to new investment managers.
- One investment property has been sold and there has been a valuation gain on the investment properties of £470k.
- Creditors are higher due to amounts committed but unpaid on the 2013-14 grants programme and the inclusion of the 2014-15 grants programme.
- Net assets growth in year is more modest than in previous year due to lower investment gains and the overspend on the funds.

17.2 The Committee was informed that there are strong systems of internal control in place, and the external auditors are providing an unqualified audit opinion.

17.3 The Committee agreed to accept the report as a source of assurance for the Board's 2013/14 annual accounts, noting the unqualified report.

18. General Corporate Governance

18.1 2013/14 Healthcare Governance Committee Annual Report to Lothian NHS Board.

18.1.1 The Committee accepted the report as a source of assurance to support the Governance Statement.

18.2 Lothian NHS Board Annual Report of the Chair of the Finance & Performance Review Committee Period Ending 31 March 2014

18.2.1 The Committee accepted the report as a source of assurance to support the Governance Statement.

18.3 2013/14 Annual Report from the Staff Governance Committee

18.3.1 The Committee accepted the report as a source of assurance to support the Governance Statement.

18.4 2013/14 Annual Report from the Information Governance Assurance Group.

18.4.1 The Committee accepted the report as a source of assurance to support the Governance Statement.

18.5 2013/14 Summary Assurance Report on Best Value.

18.5.1 The Committee accepted the report as a source of assurance to support the Governance Statement.

18.6 Summary of Issues raised in Annual Reports and Directors' Certificate of Assurance.

18.6.1 Mr Payne presented this report, which had been prepared in response to a request from the Committee at its June 2013 meeting. The paper provided an account of how the issues raised in the committee annual reports and directors' certificates of assurance have been considered for inclusion in the annual accounts.

18.6.2 Mr Payne suggested that for 2014/15, the template for committee annual reports should be amended. As well as the committees identifying the high risk areas from their perspective at the year-end, the committees should also be asked whether any of the issues should be disclosed in the Governance Statement. The directors are already asked this question as part of the process for their certificates of assurances.

18.6.3 The Chair commented that this was a very helpful paper which addressed what the Committee had asked for. The Committee agreed that the template for committee annual reports should be amended as proposed.

AP

18.7.1 NSS Service Audit Reports 2013/14.

18.7.1 This paper summarised the results of three service audits – Practitioner & Counter Fraud Services, National IT Services, and National Single Instance. There were no “significant risk” findings in any of the reports, and in all cases the service auditor has provided an unqualified audit opinion. Where the auditors have identified control weaknesses, detailed management responses have been given.

18.7.2 The Committee accepted the report as a source of assurance with respect to the Board’s systems of internal control.

18.8 SFR 18.0 – Summary of Losses and Payments for the Year Ended 31 March 2014.

18.8.1 The Committee agreed to accept the report.

18.9 NHS Lothian Patients’ Funds – Annual Accounts 2013/14 – Ms Howard gave a brief overview of the report. She highlighted that Scott Moncrieff had provided an unqualified external audit opinion.

18.9.1 The Committee agreed to accept the report and agreed to:

- Recommend to the Board that the Chairman and Chief Executive sign the “Statement of Lothian NHS Board Members’ Responsibilities” on the Board’s behalf.
- Recommend to the Board that following the Board’s consideration, the Director of Finance and the Chief Executive sign the “Abstract of receipts and Payments” (SFR19.0).
- Recommend to the Board that the Board approve the draft Patients’ Private Funds accounts for the year ended 31 March 2014.

19. Annual Accounts

19.1 Governance Statement 2013/14

19.1.1 Mr Payne presented the draft statement and explained the process undertaken to prepare it. The Committee Chair advised the committee that he had early sight of the draft accounts, and that all his comments had been considered and responded to.

19.1.2 The Committee confirmed it was content with the 2013/14 Governance Statement. The Committee agreed that a development for the 2014/15 would be to ensure that the issues raised by the Board committees are drafted in a consistent style. Mr Payne agreed to address this for the 2014/15 statement.

19.2 Representation Letter -

19.2.1 The Committee reviewed a draft Representation Letter to the external auditors. The Committee:

- confirmed that the statements properly represent confirmation to the external auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2014, however the Chair expressed the view that the

words “in our opinion” should be added before signing, and subject to that proposed change,

- agreed that the letter be signed by the Chief Executive.

19.3 External Audit - Lothian NHS Board – Draft Report to those charged with Governance on the 2013/14 Audit - a draft report to those charged with governance on the 2013/14 Audit was received.

19.3.1 Audit Scotland presented their draft report which included their proposal to provide an unqualified opinion on the Board’s 2013/14 accounts.

19.3.2 The Committee accepted the report.

19.4 Annual Accounts for the Year ended 31 March 2014 .

19.4.1 The Committee received the annual accounts for 2013/14, noting that a detailed scrutiny of had occurred in advance of the meeting. The Committee agreed to recommend that the Board approve the annual accounts for 2013/14.

19.5 NHS Lothian, Audit Committee Annual Report from the Chair – Year Ending 31 March 2014

19.5.1 The Committee reviewed the draft report and confirmed that the following sentences should be included:

- “The Committee agreed on 23 June 2014 that its membership has the skills and experience that is required for the discharge of its duties.” (Page 3)
- “At its meeting of 23 June 2014, the Committee concluded that it has had adequate access to resources in order to properly discharge its responsibilities as set out in its terms of reference.”(page 5)

19.5.2 The Committee approved its 2013/14 annual report.

19.6 Lothian NHS Board Audit Committee – 2013/14 Notification to the Health & Wellbeing Audit and Risk Committee.

19.6.1 The Committee approved the notification letter for submission to the Scottish Government.

20 Items for information

20.1 There were no items for information.

21. Any Other Competent Business

21.1 There were no other items of competent business.

22. Date of Next Meeting

- 22.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 29 September 2014 at 9:00 in Waverley Gate, Edinburgh. Committee members only are asked to attend by 8.45 for the scheduled 15-minute pre-meeting.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 29 September 2014 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr J Brettell (in the Chair); Mr M Ash; Councillor D Grant; Councillor R Henderson and Councillor C Johnstone.

In Attendance: Ms J Bennett (Clinical Governance & Risk Manager); Mr A Boyter (Director of Human Resources & Organisational Development); Mr D Gillan (Head of Soft Facilities Management); Mrs S Goldsmith (Director of Finance); Mr B Houston (Chairman); Ms D Howard (Head of Financial Control); Mr D McConnell (Audit Scotland); Mr A Payne (Corporate Governance Manager); Mr D Proudfoot (Deputy Chief Internal Auditor); Professor A Timoney (Director of Pharmacy); Mr S Wilson (Director of Communications); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr Lodge, Mr Marriott, Dr McCallum and Ms McDowell.

The meeting was preceded and followed by a closed meeting of members only.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

23 Minutes of the Previous Meeting

23.1 Minutes of the previous meeting held on 23 June 2014– The Committee approved the circulated minutes as a correct record.

24 Matters Arising

24.1 Matters Arising from the Meeting of 23 June 2014 – the Committee received the paper detailing the matters arising from the Audit & Risk Committee meeting held on 23 June 2014, together with the action taken and the outcomes.

24.2 Mr Payne advised that an update on the Staff Governance Committee being provided with the Board's corporate risk register would come to the next meeting. He advised that progress had been delayed due to the timing of meetings of that Committee.

24.3 The Committee accepted the Running Action Note.

AJ

25 Risk Management

25.1 NHS Lothian Corporate Risk Register Update

25.1.1 Ms Bennett gave a detailed overview of the report. She drew the Committee's attention to the changes made to date, and advised that both the Healthcare Associated Infection risk (risk ID: 1076) and Unscheduled care risk (risk ID: 3203) are being considered for increasing the risk level given the current performance situation.

25.1.2 In response to Mr Ash's concerns surrounding the integrated care fund, previously the change fund, Ms Bennett agreed to highlight the issue to the Risk Management Steering Group, and request that they consider it as an emerging risk.

JB

25.1.3 The Committee discussed the four "Very High" risks associated with the Astley Ainslie Hospital within the Edinburgh Community Health Partnership Risk Register. Ms Bennett advised the Committee that the Risk Management Steering Group had concluded that there were mitigating measures and controls were in place, and therefore the risk exposure was acceptable. The Committee agreed that a residual risk of "Very High" should never be regarded as acceptable. The Committee also questioned why the "current risk level" for those risks on the risk register, which is presumed to be the residual risk, was scored as "Very High" if management have judged that there are mitigating measures and controls in place. There appears to be an inconsistency.

25.1.4 Ms Bennett agreed to:

- Determine how the Risk Management Steering Group assesses risks against the Board's newly developed Risk Appetite and Tolerances in order to reach a conclusion on the acceptability of any given risk. It was agreed that the management must operate within the Board's Risk Appetite.
- Revisit the reported "current risk level" of each risk with the relevant managers, to ensure that risk registers properly reflected the residual risk.

JB

JB

25.1.5 The Committee noted that the risk "Achievement of National Waiting Times Targets" (Risk ID: 3211) has had a constant risk level of High (with a score of 12). However the Board's performance on waiting times has been on a deteriorating trend. The Committee requested that the risk score be reviewed by management in light of the trend in performance.

JB/JC

25.1.6 The Committee agreed that future reports going to the Board should present the current position against the Board's risk appetite at the start of the paper. For any measures where the performance leads to a status of RED, there should be a short and clear summary of the action being taken to bring performance back within the Board's risk appetite.

JB

25.1.7 The Committee agreed that future reports to the Board should highlight the Top 3 risks, , explain whether mitigation of the risk is actually achievable, and if mitigation is not possible, then the risks should be immediately taken to the Risk Management Steering Group for its review.

JB

25.1.8 The Committee agreed to accept the report, and welcomed the continued improvement in risk management reporting.

25.2 Litigation Annual Report 2013/14

25.2.1 Ms Bennett introduced the previously circulated litigation annual report. The Committee asked if there was an apparent reason why the number of new clinical cases had increased from 54 in 2012/13 to 80 in 2013/14. Ms Bennett advised that the numbers can vary from one year to the next in the normal run of events, however it is possible that a rise in mesh claims could in part explain the increase in 2013/14. .

25.2.2 The Committee asked Mr Payne agreed to refer this matter to the Chair of the Healthcare Governance Committee, to gain assurance that the Healthcare Governance Committee is satisfied that it has adequate systems in place to monitor and understand any trends in the causes of claims.

AP/MB

25.2.3 The Committee agreed to accept the report.

26 **Internal Audit Reports**

26.1 Internal Audit - Progress Report September 2014

26.1.1 Mr Proudfoot gave a brief overview of the report and highlighted that the audit plan for 2013/14 was complete, while good progress is being made with the audits in the plan for 2014/15. He went on to advise that Internal Audit had amended the control objectives within the proposed Clinical Governance Audit to better reflect current clinical governance practices.

26.1.2 Following concerns raised at the previous Committee meeting, that 69% of management actions were over their target date, Mr Proudfoot advised that the situation had improved and of 56 management actions outstanding at 15 September 2014, 27% of those actions had passed their target date. The Committee noted the positive action taken to reduce the number of overdue management actions.

26.1.3 Noting the forthcoming audit on Compliance with Policies and Procedures, and in response to a query about the large number of NHS Lothian policies, Mr Payne advised the Committee about significant work completed following the previous audit, mainly through the development and introduction of mandatory policy packages. Also, the Chief Executive, Director of Finance and Mr Payne had met with Mr Proudfoot and agreed that the audit scope, would focus on operation of the mandatory policy packages while taking account of the Board's risk appetite.

26.1.4 The Chair requested that, if appropriate, Mr Proudfoot consider including unavailability data and checks carried out by NHS Lothian within the scope of the NHS Waiting Times Arrangements – Sampling & Checking audit.

DP

26.1.5 The Committee accepted the Internal Audit Progress Report – September 2014.

26.2 Internal Audit - Reports with Amber or Green Ratings

26.2.1 Mr Proudfoot introduced this report, being the first since the grading system for audit reports had been changed to RED/ AMBER/ GREEN (starting with the 2014/15 audit plan).

26.2.2 The report included Property Transactions (June 2014) – GREEN and DATIX System (June 2014) – AMBER. Mr Proudfoot noted there were no specific issues within the reports to be highlighted to the Committee.

26.2.3 Mr Proudfoot highlighted that two reports with a “Requires Improvement” opinion (from 2013/14 audit plan) were being presented in full at today’s meeting. However, under the new scoring system, the audit reports would have been given an AMBER rating and would have been presented in summary only. In recognising the Committee’s previous agreement that audit reports would be routinely published on the Board’s website (from 2014/15 plan and once reports had been accepted by the Committee), Mr Proudfoot highlighted a risk that the Committee may not be fully aware of significant issues included within reports published.

26.2.4 Following discussion, the Committee agreed that for its next two meetings, any AMBER reports should be presented in full. The Committee would then review its requirements in light of the experience of the volume of papers, and the issues being raised in the reports. **DP**

26.2.5 The Committee agreed that for RED reports, the minute of the Committee’s consideration of the report should be included in the published version of the report. **DP**

26.2.6 The Committee agreed to accept the report.

26.3 Internal Audit – Complaints June 2014

26.3.1 Mr Proudfoot gave a brief overview of the complaints report, which had been rated RED. He highlighted that though there was general compliance with Scottish Government guidance and instructions, significant weaknesses had been identified within the overall control framework, in particular relating to the investigation process and the quality of responses to complainants.

26.3.2 Mr Boyter and Mr Wilson provided the Committee with details of actions being taken to address the issues in the report. Following discussion it was agreed that:

- The Committee would not accept this report as a final report.
- The “Management Action” in Issue 1 is to be revised and enhanced to fully reflect the actions that have been taken already along with those planned, with the revised report to be brought to the next Committee meeting. **DP/AB**
- Mr Boyter will test the new complaints system against a sample of previous complaints that could have been handled better. This is to determine whether or not the new system will address the issues that arose in those previous complaints. **AB**

Mr Wilson left the meeting.

26.4 Internal Audit – Physical Security – Hospitals June 2014

26.4.1 Mr Proudfoot presented the report which had an overall opinion of “Requires Improvement”. He highlighted two key areas for improvement related to full implementation of security service standards across all services as well as better compliance with the Management of Violence & Aggression Policy (in particular, local assessment of risks to staff, patients & visitors).

26.4.2 In responding to the audit report, Mr Boyter explained that violence & aggression is the most significant health & safety risk facing the organisation. He advised that a short life Working Group had taken forward a programme of work in response to an improvement notice from the Health & Safety Executive. The Health & Safety Executive acknowledged that appropriate action had been taken to mitigate the risk surrounding violence and aggression, and closed the improvement notice without the need for a further visit to the Board’s premises.

26.4.3 Members noted that following a review of the physical security standards against the current framework, an action plan had been developed and was to be considered by the Health & Safety Committee in October 2014. The Committee requested that the Health and Safety Committee be asked to provide assurance that it was satisfied with the action plan and timescale for completion.

AB

26.4.4 The Committee agreed to accept the report.

Mr Gillan left the meeting.

26.5 Internal Audit – Recruitment July 2014

26.5.1 Mr Proudfoot presented the report which had an overall opinion of “Requires Improvement”. He highlighted that overall there was a reasonable framework of controls were in place. However, issues were identified relating to the consistent application of procedures, the evidencing of pre-employment checks, and the retention of personal details for longer than required.

26.5.2 The Committee agreed to accept the report. The Committee further agreed that:

- The report be referred to the Staff Governance Committee, to provide assurance that it is content with the issues in the report and the agreed management actions.
- The report be referred to the Information Governance Assurance Group, to consider the potential Data Protection Act issue highlighted by the audit, and to provide assurance from the Group on any necessary actions.

AP

Mr Houston left the meeting.

26.6 Counter Fraud Services – Referrals and Operations September 2014

26.6.1 Mr Proudfoot introduced the summary of CFS referrals and operations as at September 2014. He advised that 3 referrals and 5 operations were currently open.

26.6.2 The Committee noted that an intelligence alert had been issued following recent referrals related to the right to work within the UK.

26.6.3 The Committee accepted the CFS – Referrals & Operations report subject to Mr Proudfoot providing a redacted report for the Committee's records.

267 Counter Fraud Checklist 2014/15

26.7.1 Mr Proudfoot requested that the Committee comment upon and approve the draft checklist for 2014/15.

26.7.2 The Committee approved the Counter Fraud Checklist 2014/15.

27 External Audit

27.1 NHS Lothian Annual Report of the 2013/14 Audit

27.1.1 Mr McConnell gave a brief overview of the report, highlighting the key messages detailed therein. He advised that overall it was a positive report that highlighted the key challenges that NHS Lothian faced in terms of financial position and organisational development including integration.

27.1.2 In response to Mr Ash's request Mr McConnell agreed to widen the scope of future audit reports to include the health and social care aspect of integration.

27.1.3 The Committee agreed to accept the report.

28. General Corporate Governance

28.1 Store Loss – Cancer Medication Fridge Failure Incident

28.1.1 Professor Timoney gave a brief overview of the incident and action taken to address the issues. She highlighted that as well as the incident at the Western General Hospital, a similar incident with the same model of fridge had occurred previously at the Royal Hospital for Sick Children, however it had not been significant enough to trigger an investigation.

28.1.2 Members noted that procurement had received a letter advising of the fault with this particular model of fridge. It was also noted that the Pharmacy Operations Group had also taken action to implement a rolling programme of preventative maintenance where fridges would be replaced every 2 years.

28.1.3 The Committee endorsed the action taken in response to the failure. Members acknowledged that though processes and systems were followed, a small risk remained. The Committee agreed to accept the report.

28.2 Overseas Patients' Debt

28.2.1 Ms Howard presented this report, which had been prepared in response to a request from the Committee.

28.2.2 The Committee accepted the report as assurance that the Board has satisfactory systems in place to minimise the losses which can be incurred as a result of non-UK resident patients not paying their charges for healthcare.

28.3 Performance Audit Reports

28.3.1 Mr Payne presented this paper to advise the Audit and Risk Committee how Audit Scotland national performance reports have been communicated and are being used within NHS Lothian.

28.3.2 Mr Ash queried whether reports that flagged recommendations specifically aimed at NHS Board members would be sufficiently flagged by this process. Mr Payne agreed to look at this aspect further.

28.3.3 Apart from the above query, the Committee accepted the report as assurance that there is an adequate process to make Board members and management aware of Audit Scotland national performance reports

Mr Proudfoot left the meeting.

28.4 Future Provision of the Internal Audit function.

28.4.1 Mrs Goldsmith introduced the report. She highlighted the proposed options in the paper for the future provision of the internal audit function. There are two broad options, either provide the function in house, or elect for some form of outsourcing.

28.4.2 The Committee agreed that the preferred option would be to outsource the internal audit function. The Committee acknowledged that further work is required before the long term solution could be determined, i.e. the provider of the outsourced function could be NSS Scotland, or it could be an external firm. .

28.4.3 The Committee agreed that an interim solution needed to be put in place to fill vacancies in the current structure. The Committee supported the action already being taken to procure the provision of a Chief Internal Auditor and an Audit Manager as a short term solution.

29. Any Other Competent Business

29.1 There were no other items of competent business.

30. Date of Next Meeting

- 30.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 8 December 2014 at 9:00 in Waverley Gate, Edinburgh. Committee members only were asked to attend by 8.45 for the scheduled 15-minute pre-meeting.
- 30.2 The members highlighted that there was some confusion as to the date of the meeting scheduled in February 2015. Mr Payne agreed to liaise with Mr Reith to confirm the date and advise the members.

AP

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 8 December 2014 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

The meeting was preceded and followed by a closed meeting of members only.

Present: Mr J Brettell (in the Chair); Mr M Ash; Mrs M Bryce; Councillor D Grant; Councillor R Henderson; Councillor C Johnstone and Ms J McDowell.

In Attendance: Ms J Bennett (Clinical Governance & Risk Manager); Ms H Berry (Interim Chief Internal Auditor); Ms D Howard (Head of Financial Control); Ms M Johnson (for item 32); Mr C Marriott (Deputy Director of Finance); Mr D McConnell (Audit Scotland); Mr A Payne (Corporate Governance Manager); Mr D Proudfoot (Deputy Chief Internal Auditor); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr Davison and Mrs Goldsmith.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

31 Minutes of the Previous Meeting

31.1 Minutes of the previous meeting held on 29 September 2014– The Committee approved the circulated minutes as a correct record subject to the inclusion of Mrs Bryce's apologies.

32 Medicines Management – Safe Handling and Security of the Medicines within the Clinical Area

32.1 Ms Johnson explained that the report updated members on the actions taken following the internal audit of medicines management. The key risks associated with this work are the loss or theft or misuse of drugs. She gave a brief overview of the extensive work to review all 146 clinical areas that handle and store medicines within NHS Lothian and the subsequent action taken.

32.2 Ms Johnson advised that good progress had been made against all actions; though there was still significant work to be done. She was confident that the actions and the work of the short life working group could be completed by March 2015.

32.3 The Committee was assured that there is a plan in place and that progress is being made, however felt that at this point it cannot be assured that there are systems of control in place that are operating as intended. The Committee asked for a further update to be presented to its meeting in February 2015 as an update on progress of the action plan, and that update should provide a

status report that is reconciled to the original audit points and their agreed implementation dates. If a particular point has not been completed there should be a clear indication as to when management anticipate them being completed.

MJ

32.4 The Chair proposed that Ms Johnson consider using the support of the Internal Audit Team as the actions progress leading up to the deadline in March.

32.5 The Committee agreed to accept the report and Ms Johnson left the meeting.

33 Matters Arising

33.1 Matters Arising from the Meeting of 29 September 2014 – the Committee received the paper detailing the matters arising from the Audit & Risk Committee meeting held on 29 September 2014, together with the action taken and the outcomes.

33.2 The Committee noted that they were content with the response from the Staff Governance Committee in relation to ownership of risks that appeared under the Staff Governance Committee on the Risk Register.

33.3 Following a detailed discussion regarding the Board being sighted on and responding to the risk appetite at its bi-monthly meetings, Mr Brettell agreed to write to the Chief Executive and Chairman. He agreed to copy the letter to Ms Berry, Ms Bennett, Mr Payne and Mrs Goldsmith for information.

JMB

33.4 The Committee accepted the Running Action Note.

34 Risk Management

34.1 NHS Lothian Corporate Risk Register Update

34.1.1 Ms Bennett gave a detailed overview of the report. She drew the Committee's attention to the changes made to date, and advised that a review of the totality of risk on the corporate risk register was ongoing. She also advised that the acute services risk register was being fundamentally reviewed.

34.1.2 The Committee discussed the scoring of several of the risks on the corporate risk register, and the register's effectiveness in articulating the relative significance of the various issues. Ms Bennett agreed to examine the extent that the scores of four and five are awarded terms of risk likelihood, i.e. "strong possibility that this could occur – likely to occur" and "this is expected to occur frequently/ in most circumstances – more likely to occur than not."

JB

34.1.3 The Chair asked that the grading system within risk appetite be reviewed. It was suggested that an "amber" grading be applied where performance is within risk tolerance but below the target that has been set by the Board.

JB

34.1.4 The Chair asked that future reports clearly state the date on which the risks were produced.

JB

35 Internal Audit Reports

35.1 Internal Audit - Progress Report December 2014

- 35.1.1 Ms Berry gave a brief overview of her role. She is working with the team to deliver the remainder of the 2014/15 internal audit plan. She will work with the corporate management team to develop the 2015/16 internal audit plan, and part of that work will be to review the Audit Universe.
- 35.1.2 In terms of developing the service, the team will now have close out meetings with the relevant executive director at the end of each audit. There will no longer be an overall grading given to each audit, but rather the focus will be on the grading of each control objective covered by the audit. However in terms of determining which audit reports should be presented in full to future committee meetings, the previously agreed scoring system will be applied.
- 35.1.3 Ms Berry advised that she is developing Key Performance Indicators (KPIs) which will be used in the future to assess the effectiveness of the function, and updates will be included in the regular progress report. She will engage the corporate management team as part of this work, in order to determine what kind of service they want. Generally Ms Berry will build relationships with management so that the general relationship with internal audit is improved.
- 35.1.4 Ms Berry advised that she intended to develop the follow-up system, and that this will in the future be presented as a separate report to the committee.
- 35.1.5 The Chair commented that the presentation of the follow-up results showed that there is a number of recommendations that are not moving, and there could be a range of reasons as to why this is happening. Ms Berry advised that it is important that future audit reports make it much clearer why a control is important, and how it relates to the management of risk.

Councillor Henderson entered the meeting.

- 35.1.6 Members agreed that for all management actions outstanding for a period of 3 months, the relevant manager should provide internal audit with a narrative highlighting the barriers to progress. Internal audit may consider reviewing the deadline should they consider this appropriate. In the event that an audit action has been outstanding for 6 months or more, without supporting rationale, then the Audit and Risk Committee will expect the manager to attend a committee meeting to provide an update.
- 35.1.7 The Committee accepted the Internal Audit Progress Report – December 2014.

35.2 Internal Audit – Complaints June 2014

- 35.2.1 Ms Berry drew the Committees attention to the revised wording surrounding Issue 1. The Committee agreed to accept the changes to issue 1 and agreed

HB

the report was finalised. However the Committee's concerns surrounding the complaints process remain.

35.2.2 The Committee noted that a review of the complaints process was about to start and agreed that it would be helpful if the non-executives (through the Committee Chairs meeting in January 2015) had sight of the scope of the review. It was also agreed that the Committee should receive a report at its next meeting on the outcome of the review

AB

35.2.3 The Committee agreed to accept the report.

36.1 Counter Fraud Services – Referrals and Operations December 2014

36.1.1 Mr Proudfoot introduced the summary of CFS referrals and operations as at November 2014. He advised that 3 referrals and 5 operations were currently open. He went on to highlight the ongoing work with overseas patients and fraud risk management.

36.1.2 Mr Brettell requested that Mr Proudfoot remove operation names in all future reports to avoid confusion where it might be thought they are actual names

DP.

36.1.3 The Committee accepted the CFS – Referrals & Operations report.

37. **General Corporate Governance**

37.1 Write-Off for Overseas Debt

37.1.1 The Committee approved the referral to write off the losses of £40,186 and £61,134.42 to the Scottish Government Health & Social Directorate on behalf of the Board as the sum was over Board's delegated authority.

37.1.2 Mrs Bryce requested that Mrs Howard contact the communications team to request that pamphlets and posters be located within Edinburgh Airport to raise awareness with overseas patient whom fly into the city.

DH

37.2 Royal Bank of Scotland Bulk Cash Service

37.2.1 The Committee agreed to recommend that the Board approve the use of the Royal Bank of Scotland bulk cash service subject to the following matters being clarified and presented to the Board:

- Are there any limits to the authority to be given by the Board to individuals?
- What liabilities or increased exposure fall to the Board as a result of entering into this agreement?
- It needs to be made clear that this arrangement is associated with the operation of the Board's bank account.

DH

38. Any Other Competent Business

38.1 There were no other items of competent business.

39. Date of Next Meeting

39.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 16 February 2015 at 9:00 in Waverley Gate, Edinburgh. Committee members only were asked to attend by 8.45 for the scheduled 15-minute pre-meeting.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Thursday 19 February 2015 in the 5th Floor Telepresence Suite, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

The meeting was preceded and followed by a closed meeting of members only.

Present: Mr J Brettell (in the Chair); Ms J McDowell; Mrs A Meiklejohn and Cllr R Henderson (from 10.30am).

In Attendance: Ms S Ballard-Smith (Nurse Director) (Item 41.2); Ms H Berry (Interim Chief Internal Auditor); Mr A Boyter (Director of Human Resources & Organisational Development) (Item 41.3); Dr D Farquharson (Medical Director); Ms C Grant (Audit Scotland); Mr B Houston (Chairman); Ms B Livingston (Financial Controller); Mr D McConnell (Audit Scotland); Mr C Marriott (Deputy Director of Finance); Mr D Proudfoot (Deputy Chief Internal Auditor) and Mr C Graham (Committee Administrator).

Apologies for absence were received from Mr M Ash; Mrs M Bryce; Mr Davison; Mrs Goldsmith; Cllr D Grant; Cllr C Johnstone and Mr A Payne.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

40 Minutes of the Previous Meeting

40.1 Minutes of the previous meeting held on 8 December 2014– The Committee approved the circulated minutes as a correct record.

41 Matters Arising

41.1 Running Action Note - The Committee accepted the Running Action Note. It was noted that all actions listed were either complete or in progress. There were no items to pick up not covered elsewhere on the agenda and any actions that were now complete could be removed.

41.2 Medicines Management: Safe Handling & Security of Medicines within the Clinical Area - Ms Ballard-Smith reported that the short-life medicines management working group had now become a substantive group given the gravity of the ongoing work. There would be regular meetings to ensure progress against the comprehensive action plan established following the 2014 Internal Audit. This included much work around assurance and self assessment. The development of a best practice guide and standard operating procedures was also underway.

41.2.1 It was noted that one change would be the reporting arrangements in relation to the areas for improvement. The original action plan had shown reporting to the Area Drug and Therapeutics Committee; however it was now felt more appropriate that reporting is to the Chief Nurses Committee.

41.2.2 The Chair asked Ms Ballard-Smith if she was happy that everything had been done not to create a 'beast' with its own life. Ms Ballard-Smith stated that whilst she was anxious about the level of work requiring to be sustained, she was confident that as part of the ongoing health and safety audit cycle, the 'beast' would diminish over time. It was also noted that senior pharmacy colleagues were part of the group and that there were meetings with the Director of Pharmacy on a regular basis.

41.2.3 The Chair stated that he was really impressed at the level of focus this now has and that this item would no longer need to be on the Audit and Risk agenda as the outcomes of the work would surface with other Board committees.

Ms Ballard-Smith left the meeting.

41.3 Listening and Learning from Feedback and Complaints

The Chair welcomed Mr Boyter to the meeting.

41.3.1 The Committee received the extensive report from Dr Dorothy Armstrong, who had been commissioned to undertake a review of the feedback and complaints processes following a series of discussions at Board level which had been concerned about the robustness of the current arrangements.

41.3.2 The review had been conducted by Dr Armstrong along with the Director for HR&OD and the Director for Unscheduled Care. The report had now been circulated to the Board as part of the timetable for as many people in the organisation as possible to comment on recommendations.

41.3.3 Four separate consultation days have already started where Dr Armstrong has been presenting. These exercises finish on 27 February 2015. The results plus a report will be pulled together into a paper for the April Board meeting with recommendations and an action plan on how to move forward. A fifth session has been organised with staff currently working within complaints for as they will have their own particular take on the report and views on how best to run the service. It was noted that there is likely to be organisational change on a personal basis as a result of the review. There will also be a paper to the April Board on the functionality and robustness recommendations.

41.3.4 The Chair expressed concern about the CRaFT members reading the report to find that they are not fit for purpose. Mr Boyter stated that many staff in the team are well aware of the issues. The department is continuing to struggle with a significant sick absence rate partly as a result of the pressure people are under. Also the introduction of prison service complaints without additional resource has caused a major impact.

41.3.5 The Chair stated that whilst the report gave a good high level overview, the papers to the Board should include more specifics. Mr Boyter confirmed that the report to the Board would also have a detailed action plan, not just high level direction for signing off.

41.3.6 It was noted that the issues around feedback and complaints have been known for a couple of years and it was general accepted that the system was fundamentally broken and required a proper plan to be in place to address fixing it. The difficulty

was restoring confidence in the system once the action plan was in place and was starting to be delivered. Also who would be delivering the action plan, would this be the people who have already tried to fix the system and if so are there the skills and abilities to make the required changes? It was appreciated that in future this may not necessarily be the same people that are currently working in the service.

41.3.7 Mr Houston added that he thought this was a good report although high level. There were concerns that the focus appeared to be on complaints handling not patient feedback and that there was not nearly enough consideration of how to convert feedback into doing things differently through continuous improvement. Mr Boyter stated that this was a fair view and it was hoped to address the link to continuous improvement within the April Board Papers.

41.3.8 The Chair thanked Mr Boyter for his update. The Committee noted the report and also noted that papers on Feedback and Complaints would be received at the April Board meeting.

Mr Boyter left the meeting.

42 Risk Management

42.1 Review of NHS Lothian Corporate Risk Register - Dr Farquharson gave an update on the review of the Corporate Risk Register. It was noted that the proposed changes had been discussed by the Corporate Management Team in January. Following this and further discussions with the Chief Executive and the Risk Management Steering Group a substantially revised Risk Register had emerged, this included the proposal that some risks be removed from the corporate register and transfer to divisional registers with the leads responsible ensuring these risks are not lost.

42.1.1 The Committee welcomed the revised register; however it was suggested that the remaining Top Risks – e.g. feedback & complaints; violence & aggression (many with scores of 20) should be cross-referred to the Board Approved Risk Appetite, as this will further focus attention on the High Risk, Low Appetite Issues which should be the focus of the Committee/Board's attention. This would then provide focus for deeper dive reviews of those risks and enable the Committee/Board's to agree how to carry or mitigate these risks appropriately.

42.1.2 There was discussion on the removal of workforce sustainability from the Corporate Risk Register top category and the feeling that this may cause discomfort to some as a recurring issue of concern to the Board. Dr Farquharson would take this back to the Risk Management Steering Group for further discussion.

42.1.3 The Committee also discussed the financial risks associated with the integration agenda. It was noted that Mr Marriott was currently working on this area and would feedback as appropriate.

43 Internal Audit Reports

- 43.1 Internal Audit Progress Report February 2015 - Ms Berry summarised the work carried out since December 2014 and it was noted that delivery of the full plan was still scheduled for delivery by June 2015. Presently there were seven reports complete and five in progress.
- 43.1.1 Ms Berry outlined the proposal to defer the acute prescribing review by a few months. The Chair asked for assurance that this could be done without undue risk. Ms Berry stated she was comfortable as deferring this internal audit would allow some recent changes made in the area such as the introduction of the JAC Pharmacy Management system time to bed in before the review. The Chair welcomed management engagement in designing the controls.
- 43.1.2 Ms Berry also notified the Committee of issues with the Workforce Planning Nursing and Midwifery Review. There had been a number of difficulties with the report. The broad scope of the audit included within the Terms of Reference led to internal audit and management having different expectations from the audit and as a result, the draft report did not meet management's expectations. Looking forward, the audit should be re-performed, which would include upfront discussion with management to agree a narrower terms of reference. Ms Berry thought the focus should be on the consistency of use of workforce planning tools across nursing and midwifery, and how they inform longer-term planning, linked to delivery of the Board's strategy. One area included in the original terms of reference that might be excluded would be e-rostering; this area could be a single audit on its own. Ms Berry said her preferred approach would be stop further work on the 2014/15 audit, to refocus the terms of reference and start a new audit in 2015/16.
- 43.1.3 Mr Marriott added that it had been agreed with external audit to do work around the supplementary staffing in nursing. This would be reported back as part of annual audit cycle, making sure duplication was avoided.
- 43.1.4 Ms Berry stated that building this into a long term workforce plan would need certain staff skills profile and that she would have discussions with Mr Payne and the Director for Unscheduled Care on this.
- 43.1.5 The proposed changes to the acute prescribing review and Workforce Planning Nursing and Midwifery Review were agreed.
- 43.1.6 The Committee discussed the progress against outstanding management actions. Ms Berry reported that 36 actions had been brought forward, a further 17 were added totalling 53 management actions. 17 of these were now complete bringing the number back to 36, with 14 past the due date. The split shown on page eight of the progress report was noted.
- 43.1.7 The Chair asked about the management action in relation to Bed Management November 2013. He requested an update on the details behind the delay with the management action. If Internal Audit were comfortable that the delay was down to realistic management reasons then this would be good information for the Committee to have, if Internal Audit were not comfortable then the management responsible could come for discussion with the Committee. Ms Berry stated she would confirm the reason for the delay and report back to the next meeting.

43.1.8 There was discussion on the tracker spreadsheet used by Internal Audit to record all outstanding actions. This spreadsheet is emailed out to all lead directors and nominated contacts to provide updates and evidence for information. Once comments are received, Internal Audit can go back to management for further updates.

43.1.9 The Chair stated that there needed to be something pulling all details together so that for anything outstanding the status is known, there is a revised date for management action and an assurance that nothing will be forgotten about. The Chair proposed that if management determine the original date and Internal Audit then subsequently renew this with management, then any dates Internal Audit are uncomfortable with should be notified to the Committee the same applies to any missed revised date, in addition the responsible manager would be expected to attend the Audit and Risk Committee meeting. Ms Berry would update the management actions with revised date and rationale as appropriate.

43.2 Vehicle Fleet Management (January 2015) - Ms Berry reported that the findings of the report were broadly positive. With the exception of the first control objective all objectives had been met and were operating effectively. There were areas for improvement relating to fleet management processes. It was noted that management had agreed all the report's findings and were happy with all actions proposed to be taken.

43.2.1 The Committee agreed to accept the report

43.3 Staff Records Management (January 2015) - Ms Berry reported that in general controls were in place to manage staff records. The areas for improvement were around keeping guidance up to date; maintenance of staff records and the introduction of eESS. Dr Farquharson added that in terms of GMC registration, he now received monthly GMC lists for revalidation. It was noted that a risk remained for the nursing profession. Ms Berry confirmed that she remained confident of receiving management responses in the appropriate timescale.

43.3.1 The Committee discussed the implementation of eESS and whether implementation was on track and going to deliver and what success may look like.

43.3.2 The Committee agreed to accept the report

- 43.4 Summary of reports where all the control objectives are GREEN: Clinical Governance; NHS Waiting Times – The Committee noted the reports.
- 43.5 Draft Internal Audit Plan 2015/16 - Ms Berry outlined the areas for focus for 15-16 in the context of the three year plan. It was noted that this had been accepted by the Corporate Management Team. The proposed internal audits were listed in appendix one of the report. The Chair asked Ms Berry to highlight any audits that may have areas of contention:
- *Annual Stock Taking* – It was noted that internal audit had previously attended stock-takes on behalf on external audit. External audit was no longer allowed to direct internal audit to do so and, following consultation with Finance, internal audit did not plan to attend the stock-takes in future years. Internal audit would attend in the current financial year, and will provide management with a written report summarising the results of the observation and any improvement actions.
 - *Corporate Governance Review* – The Chair asked whether this review should be scheduled earlier. Ms Berry stated that this was under 2016/17 as at the moment the arrangements were going through a new period of change and that there would need to have been a few meetings so that emerging themes and any room for improvements can be seen. Cllr Henderson stated that there was no need to be overly concerned with this just now as the integration schemes and plans would be fully implemented from April 2016 so a later review would probably be better. Ms Berry added that there was flexibility to bring the plan back before 2016/17 to reconsider the planned reviews.
- 43.5.1 There was discussion on the Internal Audit Universe at Appendix 4 of the report. The Chair suggested that it would be helpful to cross reference the plan and include information on the date a review was last undertaken and the rating which was received.
- 43.5.2 Ms Berry informed the Committee that between now and April 2015 work would start on having discussions with Directors and drafting Terms of Reference (ToRs) for the proposed internal audits. Ms Berry asked whether the Committee would wish to have sighted of the detailed ToRs. The Chair stated that visibility of what is in scope and the control objectives being audited should come to the Committee for oversight. It was suggested that it would also be helpful to have the plan cross referenced to the internal audit universe and to the risk registers to bring all the information together in a more helpful way. Ms Berry would look into achieving this.
- 43.5.3 It was noted that in relation to the timescale for audits, dates were still to be agreed with management. Ms Berry stated her intention would be to have an equal number of reports coming to the Committee each meeting; however there may be some movement with this once the dates are agreed with management.
- 43.5.4 The Committee considered the Charter included as Appendix 5 of the Plan. The purpose of the Charter was to set out key areas which Internal Audit are supposed to communicate and outline Internal Audit roles and independence, a lot of this was already in NHS Lothian's Standing Financial Instructions. The Chair pointed out that in the Charter engagement with the organisation's management did not come across strongly. Ms Berry stated she would look at improving this.

43.5.5 The Committee also discussed the 11 KPIs outlined on page six of the report. The Chair asked if these were determined by the Internal Audit team or agreed as reasonable through engagement with management. Ms Berry stated that the suggested KPIs were ones used by Scott Moncrieff and that she would be happy to look at any of these again. These had been picked as they are the ones considered typically important and easy to measure. The Chair suggested a rewording in relation to issuing of reports and the need for clearer grading. Ms Berry would take this forward with management.

43.5.6 The Committee agreed to accept the draft internal audit plan for 2015/16. However it was also agreed that Ms Berry would bring the revised Charter, as discussed with management, to the next Committee meeting for sign off.

43.6. Future of Internal Audit Services - Ms Berry gave some background to the paper. The Chair asked Mr Proudfoot to leave the meeting for the duration of the Committee's discussion. Mr Proudfoot stated that he had read through the paper and was fully supportive of its contents and that the Internal Audit team were currently comfortable with the co-sourcing arrangements.

Mr Proudfoot left the meeting.

43.6.1 The Committee discussed the proposals in the paper and noted the early positive feedback regarding the new co-sourcing arrangements. The Committee approved the proposed approach to reviewing the success of the arrangement over the next few months but requested this should be assessed against the other alternatives available, to enable a decision to be made regarding the more permanent solution. There were some amendments which the Committee requested:

- The KPIs on efficiency and effectiveness should have more prominence within the report
- The report should make clear that there would be a decision-point at the end of the assessment period, to decide which option (in-house/outsource / co-source) should be pursued. The assessment should be undertaken by someone independent of the process – perhaps Alan Payne.
- The period of time over which the assessment should take place should be discussed and agreed with Craig Marriott and partnership.

43.6.2 Ms Berry stated that a checkpoint would tie in with the time period. The timescale would be agreed in discussion with Mrs Goldsmith and Mr Marriott.

Mr Proudfoot returned to the meeting.

44 Counter Fraud (Assurance)

44.1 CFS Referrals & Operations February 2015 - Mr Proudfoot introduced the summary of CFS referrals and operations as at February 2015. He advised that 1 referral and 5 operations were currently open.

44.1.1 Mr Proudfoot gave an update on the national fraud initiative which is UK wide and matches data from different public sector bodies, focusing on two main areas - payroll information and trader creditors. The data matching then produces a list of potentially fraudulent areas for the organisation. At the beginning of the calendar

year NHS Lothian received 12,500 data matches suggesting potential fraud, 1100 of these were recommended matches in relation to payroll, UK visa, creditors. In previous years there had been one or two actual cases of error not fraud and previously of 15,500 matches 14% were checked, picking up duplicate payments etc. This is good as it shows the system works. The pleasing thing to note was that overall matches were down by 3,000 and that the 12, 500 matches include previously reported matches back again. These matches would be checked in details over the next few months.

44.1.2 Mr Proudfoot also reported on progress with monitoring and tracking of surgical equipment, which had previously been highlighted to the Committee in relation to opportunity for potential fraud. It was noted that within other Health Boards significant amounts of equipment was being stolen and CFS was actually in the process of taking a case to the Procurator Fiscal. Alerts have been issued to Boards. Mr Proudfoot stated that he had met with colleagues within HSDU and identified that fraud could happen. The HSDU have good processes for controlling equipment once in their control but a less degree of control once it moves to other areas. Work was currently ongoing with Callum Gordon to look at the three options for managing this and the best system to implement.

44.1.3 The Committee accepted the CFS Referrals & Operations report.

45 External Audit (Assurance)

45.1 External Audit Annual Plan 2014/15 - Mr McConnell ran through the Plan covering the period from now until the end of June 2015. He set the Plan in the context of auditing standards and highlighted specific risk areas. It was noted that appendix 1 listed the outputs for the year's salient points and that the 2014-15 audit will produce the audit certificates, the signed accounts and the annual audit report all at the same time. Mr Marriott added that bringing the documents together collectively will be challenging but extremely useful.

45.2 Ms Grant covered the area of Materiality. It was noted that this included more detail than has been available in the past.

45.3 Mr Marriott asked Mr McConnell to outline the process in relation to a Section 22. The Board did not want to be in the position of receiving a Section 22 and it was important for the Committee to understand how these work.

45.4 Mr McConnell explained the Section 22 process, whereby the auditor general can note for Parliament, specific matters from audit on a whole range of things; this generally means that something is amiss.

45.5 A Section 22 report can be prepared with the auditor working with auditor general to accompany the accounts when they go to Parliament. The decision can happen after the accounts are audited by the auditor.

45.6 Ms Grant added that it would normally be know internally if there were any discussions in relation to a Section 22 and this would allow the Board to have early sighting of any issues.

46 Corporate Governance (Assurance / Decision)

- 46.1 Nugatory Payment: Fine under Health & Safety Legislation - Ms Livingston notified the Committee of the £40,000 Health and Safety fine against the Board which was paid in December 2014 and related to an incident in 2009. As this amount was above the delegated limit of £20,000 this had to go to the Scottish Government for retrospective approval. The court fine was paid right away and a paper is being prepared with the estates department. The Committee noted that as previously mentioned, following the review of the corporate risk register, it was recommended that this entry is now removed.
- 46.2 Governance Statement Guidance (19 December 2014) - Mr Marriott introduced the paper. It was noted that different elements in relation to the Governance Statement had been issued to committees in template form and to the Executive Directors with a timetable to come back to Internal Audit as part of the review. It was acknowledged that the Chair of the Audit and Risk Committee signs off the Governance Statement and it was therefore important that submissions for the Governance Statement were cross referenced to provide the confidence that appropriate arrangements are in place. Mr Houston added that the Board now had two additional Governance Committees in place – the Acute Hospitals Committee and the Strategic Planning Committee.
- 46.2.1 Mrs McDowell noted the increased focus on organisational culture as a prerequisite for the effective operation of risk management systems and requested that the Staff Governance Committee be asked to include in its annual statement an assurance about its review of NHS Lothian's performance on initiatives subsequent to the Bowles report on organisational culture.

47. Any Other Competent Business

- 47.1 Audit and Risk Committee Chair – Mr Houston and the Committee members thanked Mr Brettell for his contributions both towards the Committee as Chair and also the Board in his role as a Non-Executive Board Member. Under Mr Brettell's charge the Committee has improved its scope, work and processes and Mr Brettell's insight and scrutiny have been pivotal to this transformation. The Committee also welcomed Ms McDowell as the new Chair.

48. Date of Next Meeting

- 48.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 20 April 2015 at 9:00 in Waverley Gate, Edinburgh. Committee members only were asked to attend by 8.45 for the scheduled 15-minute pre-meeting.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday 20 April 2015 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Ms J McDowell (in the Chair); Mr M Ash; Dr M Bryce; Cllr C Johnstone.

In Attendance: Ms J Bennett (Clinical Governance & Risk Manager); Ms H Berry (Interim Chief Internal Auditor); Mr A Boyter (Director of Human Resources & Organisational Development); Mrs S Goldsmith (Director of Finance); Mr B Houston (Chairman); Ms D Howard (Head of Financial Control); Mr P Lodge (Audit Scotland); Mr D McConnell (Audit Scotland); Mr C Marriott (Deputy Director of Finance); Ms A Muir (for item 3); Mr D Proudfoot (Deputy Chief Internal Auditor); Professor A Timoney (for item 3) and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr Davison; Cllr D Grant; and Mr A Payne.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Members agreed that clarity on what should be declared would be sought from Mr Payne and fed back at the next meeting.

LB/AP

- 1 Minutes of the Previous Meeting
 - 1.1 Minutes of the previous meeting held on 19 February 2014 – The Committee approved the circulated minutes as a correct record.
- 2 Matters Arising
 - 2.1 Running Action Note - The Committee accepted the Running Action Note. It was noted that all actions listed were either complete or in progress. There were no items to pick up not covered elsewhere on the agenda and any actions that were now complete could be removed.
3. Homecare Services – March 2015
 - 3.1 Mss Berry introduced the previously circulated report. She noted that the points raised reflected the position at that time and the comprehensive response from management detailed within the report.
 - 3.2 Ms Muir advised the Committee that capacity for homecare was discussed at a national level; she highlighted the ongoing work with NSS to address any capacity issues before the implementation of an homecare agreement within NHS Lothian.

3.3 In response to Dr Bryce's comments regarding the roles and responsibilities of the Healthcare Governance Committee, Ms Muir advised that the matter had previously been fed up to Healthcare Governance Committee through the Area and Drugs and Therapeutics Committee. It was anticipated that an update would be provided to Healthcare governance in the near future.

3.4 The Committee accepted the report on Homecare Services and the information therein.

4 Risk Management

4.1 NHS Lothian Corporate Risk Register – Ms Bennett introduced the previously circulated report that set out NHS Lothian's position with corporate risk to date. She advised that work to incorporate acute risk was ongoing to the organisational change that is current being undergoing. It was anticipated that the acute risks would be incorporated when they were fit for purpose.

4.1.1 Members noted that the review of the risk register was now complete and a report would be brought forward from the Risk Management Steering Group to the next meeting once it had been approved.

4.1.2 Ms Bennett advised the Committee that the Risk Management Steering Group had not raised concerns regarding the lack of consistency across the Community Health Partnership Risk Registers. She noted that risk within the Community Health Partnership section accurately reflected the position the each area of Lothian.

4.1.3 The Committee briefly discussed the need for a further level of narrative that highlighted the consequences of the overarching risk. Members agreed that it would be appropriate to receive further information in the comments column of the report if risk had been mitigated or materialised. Members also acknowledged the benefit of having an appropriate representative from the Sub-Committees of the Board present at future meetings.

4.1.4 Members specifically requested that the Chair of the Finance and Resources Committee provide quarterly reports to the Audit and Risk Committee to ensure that they are sighted on financial risks.

SG

4.1.5 The Committee agreed to accept the report.

4.2 Risk Management Annual Report 2014-15 - Ms Bennett agreed to correct the Risk Management Steering Group lines of reporting within the report

JB

4.2.1 The Committee accepted the previously circulated report as a source of assurance on the risk management across NHS Lothian.

5 Internal Audit Reports

5.1 Internal Audit Progress Report April 2015 - Ms Berry summarised the work carried out since February 2015 and it was noted that delivery of the full plan was still scheduled for delivery by June 2015. Presently eleven of the nineteen reports were now complete.

5.1.1 The Committee noted the excellent format of the report and the level of detail conveyed. It discussed the fact that on a number of KPIs performance was classed as red or amber and sought assurance of future improvement. In response to a question, Ms Berry assured the Committee that resources are sufficient in the department and she believed performance would improve.

5.1.2 After a brief discussion members decided that Ms Berry should review the KPIs so that they take into account the new process and bring forward a report to on trends over the period of the year to the June meeting.

HB

5.1.3 Members queried the management response in relation to the Bed Management action. Ms Berry agreed to sense check the response and feedback at the June meeting.

5.1.4 The Committee agreed to accept the report.

5.2 Staff Lottery – April 2015 - The Committee accepted the previously circulated report on the Staff Lottery and the information detailed therein.

5.3 Hospital Waste Management – April 2015 - The Committee noted the report on Hospital Waste Management and the information detailed therein.

5.3.1 Members were unable to take assurance from the information provided within the report. Further discussions on this matter would be picked up under the compliance with policies and procedures report.

5.4 Compliance with Policies and Procedures – April 2015 - Ms Berry introduced the report on compliance with policies and procedures. She assured the Committee that overall there was a good framework in place.

5.4.1 Members noted that the Hospital Waste Management was a good example of where there was a good framework in place but adherence to the policy was not reinforced within the hospital. Mr Boyter thought that a solution to this matter would be complex and even with a specific executive lead it would be a significant cultural change.

5.4.2 Committee expressed concern about the audit findings and had an extensive discussion on how to address them, including the potential use of sanctions. The Committee expressed the view that when policies and training are deemed mandatory the failure to comply should not be tolerated. It asked that the Chairman of the Staff Governance Committee be invited to attend the next Audit & Risk

Committee meeting to discuss how the Staff Governance Committee might help in exercising oversight over these issues.

AB/AJ

- 5.5. Internal Audit Plan 2014 to 2017 - Ms Berry outlined the areas for focus for 14-17 in the context of the four year plan. The changes to the proposed internal audits were listed in appendix one of the report.
 - 5.5.1 The Committee agreed to accept the internal audit plan for 2014-17
6. Counter Fraud (Assurances)
 - 6.1 CFS Referrals & Operations April 2015 - Mr Proudfoot introduced the summary of CFS referrals and operations as at April 2015. He advised that there were 4 new referrals and 4 operations were currently open.
 - 6.1.1 Mr Proudfoot advised the committee of the issues associated with investigating staff members whom were on sick leave but are working on a self employed basis whilst off sick. Work to address this matter was ongoing with Counter Fraud Services.
 - 6.1.2 The Committee accepted the CFS Referrals & Operations report.
7. External Audit (Assurance)
 - 7.1 NHS Lothian Best Value Toolkit – People Management 2014/15 - Mr Lodge gave an overview of the report on the People Management Best Value Toolkit. He drew the Committee's attention to the 4 key areas of review and the summary detailed there in.
 - 7.1.1 The Committee queried whether the report was consistent with the Internal Audit on Policies & Procedures. The External Auditor explained that the external audit was looking at different things and that the two reports were therefore not inconsistent.
 - 7.1.2 The Committee accepted the report.
 - 7.2 NHS Lothian ~Review Key Internal Controls 2014/15 - Mr McConnell introduced the report that outlines the processes that Audit Scotland places reliance on leading up to the review of the audit of the financial statements. He advised that the controls operated by NHS Lothian were satisfactory.
 - 7.2.1 The Committee agreed to accept the report.
8. Corporate Governance (Assurance/ Decision)
 - 8.1 Accounting Policies - The committee agreed to recommend to the board that the accounting policies as amended in respect of CNORIS be adopted as appropriate for the Board at the present time.

8.2 Evaluation of Co-sourcing and Selection of a Permanent Solution for Internal Audit
- The Committee noted the process for evaluating the current co-sourcing arrangement, and agreed to determine the Board's permanent solution to secure an adequate and effective internal audit service.

8.2.1 The Committee agreed to accept the report and await further reports on this matter.

9. Date of Next Meeting

9.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 22 June 2015 at 9:00 in Waverley Gate, Edinburgh. Committee members only were asked to attend by 8.45 for the scheduled 15-minute pre-meeting.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 22 June 2015 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Ms J McDowell (in the Chair); Mr M Ash; Dr M Bryce; Councillor D Grant; and Councillor C Johnstone.

In Attendance: Ms J Bennett (Associate Director of Quality Improvement & Safety); Ms H Berry (Interim Chief Internal Auditor); Mr A Boyter (Director of Human Resources & Organisational Development); Mr T Davison (Chief Executive); Mrs S Goldsmith (Director of Finance); Mrs C Grant (Audit Scotland); Mr B Houston (Chairman); Ms D Howard (Head of Financial Control); Mr A Joyce (Employee Director); Mrs B Livingston (Financial Controller); Mr D McConnell (Audit Scotland); Mr C Marriott (Deputy Director of Finance); Mr A Payne (Corporate Governance & VFM Manager); Mr D Proudfoot (Deputy Chief Internal Auditor); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Ms Johnson and Dr McCallum.

The meeting was preceded and followed by a closed meeting of members only.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

10 Minutes of the Previous Meeting

- 10.1 Minutes of the previous meeting held on 20 April 2015– The Committee approved the circulated minutes as a correct record.

11 Matters Arising

- 11.1 Matters Arising from the Meeting of 20 April 2015 – the Committee received the paper detailing the matters arising from the Audit & Risk Committee meeting held on 20 April 2015, together with the action taken and the outcomes.

- 11.1.1 Mr Boyter advised that the issue surrounding policies and compliance had been brought to the Staff Governance Committee for consideration. The Committee's view was that it was primarily the responsibility of line management to be assured on compliance with policies & procedures. It was agreed that the executive lead with responsibility for each of the nine sections of mandatory training has been asked to review their sections, and report back to the Committee on the best way to proceed. The Committee is expecting a report in July.

11.1.2 The Committee agreed that Mr Boyter and Mr Joyce would bring forward a detailed action plan outlining the timescales for progression of compliance to mandatory training as a source of assurance to the Audit & Risk Committee's September meeting.

AB/AJ

11.1.3 Mr Davison drew the Committee's attention to ongoing work in NHS Lothian in relation to the review of policies and procedures, including the establishment of a working group to take forward the review. Though members took assurance from the establishment of the working group, the Committee asked that Mrs Goldsmith and Mr Boyter provide a detailed report on this subject to the September meeting.

SG/AB

11.1.4 The Committee accepted the actions detailed within the Running Action Note.

11.2 Advice on Declarations of Interest – the Committee reflected on comprehensive guidance detailed within the report.

11.2.1 The Committee agreed to accept the report.

11.3 2014/15 Annual Report from the Staff Governance Committee - The Committee accepted the report as a source of assurance to support the Governance Statement subject to Mr Joyce updating the disclosure section at the end to reflect the Committee's discussion on mandatory training and compliance with policies and procedures.

AJ

12. Risk Management

12.1 NHS Lothian Corporate Risk Register Update

12.1.1 Ms Bennett gave a detailed overview of the report.

12.1.2 The Committee discussed the future financial position and the challenges it presented to the Board in terms of living within its risk appetite. The Committee's view is at this time it does not have assurance that there are systems and action plans in place to bring the Board back within its risk appetite.

12.1.3 Mr Davison advised the Committee that the July Programme Board Seminar would focus on the first quarter review. ;

12.1.4 Members agreed that risk 3567, 11: Improve Integration – Integrated Joint Boards could be removed from the corporate risk register, in light of the fact that the integration schemes had now all been approved. However it was recognised that through the process of implementing the integration schemes, different specific risks relating to integration will likely be generated at various levels of risk management. This process may lead to a new risk on the corporate risk register for any specific matters which must be decided by the Board, such as the allocation of resources to the newly created integration joint boards.

12.1.5 The Committee agreed to accept the report.

12.2 Evaluation of NHS Lothian's Risk Management Arrangements – Improvement Plan

12.2.1 Mrs Bennett gave a detailed overview of the report. She drew the Committee's attention to the improvements made over the past two years, the process of continuous review and senior management input.

12.2.2 Members were advised that work in the coming year would focus on strengthening links at operational level.

12.2.3 The Committee agreed to accept the report.

13 **Internal Audit & Counter Fraud Reports**

13.1 Internal Audit – Reports with Green Ratings June 2015 (Annual Stock-Taking; Health & Social Care Integration)

13.1.1 Ms Berry introduced the report. She concluded that a good framework on controls were in place though some improvements were required to the operation of those controls within the service.

13.1.2 The Committee agreed to accept the Report with Green Ratings – June 2015.

13.2 Internal Audit – External Contractors & Consultants May 2015

13.2.1 The Committee was assured that Internal Audit were satisfied that the management response was appropriate.

13.2.2 The Committee agreed to accept the External Contractors & Consultants – May 2015 report.

13.3 Internal Audit – Information Governance May 2015

13.3.1 The Committee agreed to accept the Information Governance – May 2015 report.

13.4 Internal Audit – Re-provision of the Royal Hospital for Sick Children and Department of Clinical Neurosciences May 2015

13.4.1 The Committee agreed to accept the Re-provision of the Royal Hospital for Sick Children and Department of Clinical Neurosciences May 2015 report.

13.5 Internal Audit – Capacity Planning May 2015

13.5.1 The Committee agreed to accept the Capacity Planning – May 2015 report.

13.6 Internal Audit – Annual Internal Audit Report 2014/15 June 2015

13.6.1 Ms Berry introduced the report which provided the following overall conclusion: .

“Overall, Internal Audit's work indicates that NHS Lothian has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of the organisation's objectives and the management of key risks.

Proper arrangements are in place, in the areas Internal Audit has reviewed, to promote value for money, deliver best value and secure regularity and propriety in the administration and operation of the organisation.”

13.6.2 Ms Berry advised that the Committee that it would receive the report on Workforce Planning – Nursing & Midwifery in September.

13.6.3 The Committee agreed to accept the Annual Internal Audit Report 2014/15 – May 2015.

13.7 Internal Audit – Progress Report June 2015

13.7.1 The Committee accepted the Internal Audit Progress Report – June 2015.

13.8 Counter Fraud – Progress Report June 2015

13.8.1 The Committee accepted the Counter Fraud – Progress Report June 2015.

13.9 Fraud Referrals & Operations for Year to 31 March 2015

13.9.1 The Committee accepted the report on Fraud Referrals and Operations for year to 31 March 2015.

13.10 NHS Lothian: Patient Exemption Checking and Potential Fraud 2014/15

13.10.1 The Committee accepted the report on Patient Exemption Checking and Potential Fraud for 2014/15.

13.11 Evaluation of Co-sourcing and Selection of a Permanent Solution for Internal Audit

13.11.1 Mr Payne gave an overview of the findings from the evaluation. He drew the Committee’s attention to the improved efficiency in the conduct of the internal audit programme, and the marked improvement in the presentation of reports. He advised that more progress can be made in terms of how the internal audit function adds value through quality, however the changes to the methodology are having a positive impact which is being acknowledged by auditees.

13.11.2 The Committee agreed to support the recommendation that the Board should go in to a co-sourcing arrangement with a firm to provide a Chief Internal Auditor and Manager, with the option to expand support as and when necessary. It was also agreed that the previously agreed organisational structure for internal audit should be reviewed. If it is still regarded as appropriate, then the vacancies in that structure should be filled on the presumption that the Chief Internal Auditor and one manager will be co-sourced, so as to bring the period of uncertainty for current employees to an end.

13.11.2 The Committee agreed that management should ensure that there is no break in the continuity of the service. The Deputy Director of Finance assured the committee that the procurement process would proceed with the aim of having the three-year contract beginning on 1 October 2015.

14. General Corporate Governance

14.1 2014/15 Healthcare Governance Committee Annual Report to Lothian NHS Board.

14.1.1 The Committee accepted the report as a source of assurance to support the Governance Statement.

14.1.2 The Committee agreed that the annual report of the acute hospitals committee should be provided as a source of assurance for future years.

AP

14.2 Lothian NHS Board Annual Report of the Chair of the Finance & Performance Review Committee Period Ending 31 March 2015

14.2.1 The Committee accepted the report as a source of assurance to support the Governance Statement.

14.2.2 Mrs Goldsmith drew the Committee's attention to ongoing work related to the availability of data to make informed decisions.

14.3 2014/15 Annual Report from the Information Governance Assurance Group.

14.3.1 The Committee accepted the report as a source of assurance to support the Governance Statement.

18.4 NHS National Services Scotland (NSS) Service Auditor Reports

18.4.1 The Committee accepted the report as a source of assurance to support the Governance Statement.

14.5 SFR 18.0 – Summary of Losses and Payments for the Year Ended 31 March 2015

14.5.1 The Committee agreed to accept the report as a source of assurance to support the Governance Statement.

14.6 Foundation Annual Report and Accounts

14.6.1 The Committee agreed to accept the report.

14.7 NHS Lothian Patients' Private Funds – Annual Accounts 2014/15

14.7.1 The Committee reviewed the NHS Lothian Patients' Private Funds – Annual Accounts 2014/15.

14.7.2 The Committee agreed to recommend that:

- That the Chairman and the Chief Executive sign the "Statement of Lothian NHS Board Members' Responsibilities² on behalf of the Board.
- That Director of Finance and Chief Executive sign the "Abstract of receipts and payments".
- That the Board approve the draft Annual Accounts 2014/15.

14.8 Results from Committee Member Survey

14.8.1 Mr Payne presented the findings of the survey to the Committee.

14.8.2 The Committee agreed to accept the report.

15. **Annual Accounts**

15.1 Governance Statement 2014/15

15.1.1 Mr Payne presented the draft statement and explained the process undertaken to prepare it.

15.1.2 In response to Mr Ash's query Mr Davison confirmed that the issue relating to financial challenges in Edinburgh, related specifically to the arrangements in the City of Edinburgh, arather than a general concern for all integration joint boards. . The committee was assured that none of the other directors of health & social care had raised any issues in their certificates of assurance.

15.1.3 The Committee confirmed it was content with the 2014/15 Governance Statement.

15.2 Representation Letter -

15.2.1 The Committee reviewed a draft Representation Letter to the external auditors. The Committee:

- Confirmed that the statements properly represent confirmation to the external auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2015.
- Agreed that the letter be signed by the Chief Executive.

15.3 External Audit – 2014/15 Annual Audit Report

15.3.1 Mr McConnell gave a brief overview of the report highlighting how the report was collated, key findings and the audit certificate therein. He concluded that the Board's financial position was currently stable, however there are significant challenges in the foreseeable future in relation to the identification of recurring savings and ensuring that the Board remains within its funding limits.

15.3.2 The Committee accepted the report as a source of assurance.

15.4 Annual Accounts for the Year ended 31 March 2015.

15.4.1 The Committee received the annual accounts for 2014/15, noting that a detailed scrutiny of had occurred in advance of the meeting. The Committee agreed to recommend that the Board approve the annual accounts for 2014/15.

15.5 NHS Lothian, Audit Committee Annual Report from the Chair – Year Ending 31 March 2015

15.5.1 The Committee reviewed the draft report and confirmed that the report should be enhanced to reflect discussions surrounding risk appetite, and some of the key remarks within the external auditors' annual reports on the financial position. **AP**

15.5.2 Following a brief update from Mr Proudfoot and Mrs Goldsmith the Committee approved its 2014/15 annual report subject to the agreed amendments.

15.6 Lothian NHS Board Audit Committee – 2014/15 Notification to the Health & Wellbeing Audit and Risk Committee.

15.6.1 The Committee approved the notification letter for submission to the Scottish Government.

16 Items for information

16.1 There were no items for information.

17. Any Other Competent Business

17.1 Mr Proudfoot's Retirement

17.1.1 Members thanked Mr Proudfoot for his contributions and support over the years and wished him well for the future.

18. Date of Next Meeting

18.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 7 September 2015 at 9:00 in Waverley Gate, Edinburgh. Committee members only are asked to attend by 8.45 for the scheduled 15-minute pre-meeting.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 7 September 2015 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Ms J McDowell (in the Chair); Mr M Ash; Dr M Bryce; Councillor D Grant; and Councillor C Johnstone.

In Attendance: Ms J Bennett (Associate Director of Quality Improvement & Safety); Mrs H Berry (Interim Chief Internal Auditor); Mr A Boyter (Director of Human Resources & Organisational Development); Mr J Crombie (Chief Officer: NHS Lothian University Hospitals & Support Services Division); Mr T Davison (Chief Executive); Mrs S Goldsmith (Director of Finance); Mrs C Grant (Audit Scotland); Ms D Howard (Head of Financial Control); Ms A Langsley (Programme Lead Safety and Compliance Education); Mr C Marriott (Deputy Director of Finance); Mr J Old (Financial Controller); Mr A Payne (Corporate Governance & VFM Manager); Mr M Smith (Internal Audit Manager); Professor A Timoney (Director of Pharmacy); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Ms Johnson.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

19. Internal Audit – Pharmacy Stores (August 2015)

- 19.1 Mr Smith introduced the report. He described the background to the report, and highlighted that the significant issues related to the control objectives concerning stock movement and stock levels.
- 19.2 Professor Timoney described the significant work undertaken to implement the new JAC system, and advised the committee that it was the largest implementation ever done by JAC. She acknowledged the recommendations and assured the Committee that they would be taken forward within the designated timescales.
- 19.3 The Committee agreed to accept the report and the management actions detailed therein.

Professor Timoney left the meeting.

20 Minutes of the Previous Meeting

- 20.1 Minutes of the previous meeting held on 22 June 2015– The Committee approved the circulated minutes as a correct record.

21 Matters Arising

- 21.1 Matters Arising from the Meeting of 22 June 2015 – The Committee accepted the update on the actions detailed within the Running Action Note.

- 21.2 Output from Workshop on “Ensuring the Right Thing Happens in Practice Every Time” – The Committee considered the report that detailed the results from an intelligence gathering session on how to address the broad challenge of achieving compliance with policies and procedures whilst effectively managing risk.

- 21.2.1 Members agreed that the approach taken should be appropriate to what the policy was trying to achieve. For example people do not need to refer to human resources policies on a daily basis, but they should be immediately accessible when required. However clinical policies will be actively used on a daily basis, will require the exercise of professional judgement and need to be owned within the clinical setting.

- 21.2.2 Members agreed that the approach needed to consider human factors issues, so that it was clear to employees what they are being asked to do. It was agreed that there should be a clear irreducible core of policies and then this should be disseminated to staff for completion. The committee was advised that there is a suite of mandatory policy packages in place, and the selected policies were determined after a robust consultation process.

- 21.2.3 The Committee accepted the report and the direction of travel, and agreed that there should be alignment with the development of the NHS Lothian clinical quality management system. The committee noted that work was underway however it agreed that it could not take assurance at this time that the systems of control have improved.

Mr Crombie entered the meeting.

- 21.3 Mandatory Training Compliance – Mr Boyter introduced the report. He highlighted that the target of 80% compliance had been derived from the fact that at any given time NHS Lothian experience 10% staff turnover, 4.5% sickness absence and 5.5% for other types of leave. He highlighted that the recent move towards paid parental leave had increased the uptake of it. Given this context it was considered that 100% was not achievable. If compliance of 80% is achieved, then management can then revisit the target to see what further progress can be made. Management considered it to be important to set an initial target to focus efforts to improve on the current low levels of compliance.

- 21.3.1 The Chair questioned the logic of setting a target of only 80% compliance for policies deemed mandatory. In particular she queried the suitability of the 80% target for training in areas associated with the risks identified in the risk register as currently outwith risk appetite, e.g. HAI is one of the top 4 risks, its current status is outwith risk appetite but the compliance target is the same 80% target as for all other areas. In response Ms Langsley advised that

employees were in practice prioritising areas of mandatory training themselves. She noted that more work to move to a structured and aligned process of prioritisation for individual roles was required.

21.3.1a The Chair referred to recent developments in behavioural economics and the Behavioural Insights Team as potentially useful sources and suggested that they be consulted for ideas on how to improve compliance.

21.3.2 NHS Lothian is currently the only Board within NHS Scotland to have a clear picture on its uptake of mandatory training. The Scottish Government is leading to develop a national perspective.

21.3.3 Mr Boyter advised that mandatory training would remain a priority for the Staff Governance Committee. Discussions had taken place with the executive lead for each mandatory field, and he advised the committee that it would be a significant piece of work to improve performance.

21.3.4 Ms Bennett advised the committee that training is the weakest form of improvement opportunity. She advised the committee that more improvement is secured through designing out opportunities for error within processes, as well as standardising operational practice. The Committee acknowledged this.

21.3.4 The Committee agreed to note the progress made to date and endorse the improvement action plan. Recognising that the Staff Governance Committee is leading on this issue, Mr Payne would liaise with Mr Boyter to determine when a further update should be brought to the Audit & Risk Committee.

AB/AP

Mr Boyter and Ms Langsley left the meeting.

22. Risk Management

Mr Davison entered the meeting.

22.1 NHS Lothian Corporate Risk Register Update

22.1.1 Ms Bennett gave a detailed overview of the report. She advised that the Board would be sighted on three emerging risks at their October meeting; General Practice Sustainability, Nursing Work Force Sustainability and Facilities fit for purpose.

22.1.2 The Chair posed the question of the Committee's responsibility to monitor and follow up when it receives a report indicating that NHS Lothian is outwith risk appetite on corporate objectives where low risk appetite has been set. The Committee noted that the Board receives papers at every meeting on subjects that are covered by the risk appetite, but the risk management report is commonly placed in the consent agenda of Board meetings. Therefore whilst the Board may be discussing papers on the subjects that are measured by risk tolerances, the Board is not explicitly discussing whether or not any actions will return performance to within the risk appetite and associated tolerances. The Committee further noted that other committees have oversight of risks relating to their remit and that the Audit & Risk Committee receives the annual reports of other committees.

22.1.3 The Committee agreed that it should take a more active role throughout the year to monitor management actions to address situations in which performance has breached the risk appetite. The committee agreed it was important to strike the right balance between appropriate governance oversight and scrutiny, and allowing management adequate time and space to work through issues.

22.1.4 The discussion illustrated that any actions to attend to breaches of risk appetite needed to be carefully thought through. Measures taken to address one area in the short term (e.g. immediate financial pressure) can compromise the delivery of performance in other areas of the risk appetite. There will be a point where the Board needs to make an explicit decision as to what it wants executive management to do in these circumstances. It was agreed that the audit & risk committee was a good place to consider such issues.

22.1.5 It was agreed that some development work should be undertaken to improve the focus of the Board, Audit & Risk Committee, and executive management on the risk appetite and tolerances. Part of this work will involve developing a programme of reporting to the Audit & Risk Committee on areas of the risk appetite, which will inform the committee's review of the Governance Statement at the year-end.

AP/JM/JB/SG

22.1.7 The Committee agreed to accept the report and the recommendations detailed therein.

23 Internal Audit & Counter Fraud Reports

23.1 Internal Audit - Cardiac Perfusion Service August 2015

23.1.1 Mrs Berry advised the Committee that the review of the Cardiac Perfusion Service had been requested following the receipt of some whistleblowing allegations. The audit was not carried out to prove or disprove the allegations. The audit did identify definite opportunities to improve the systems of internal control, but it did not find evidence to support the allegations that were made.

23.1.2 Mr Crombie advised members of the robust and rigorous actions to address concerns raised. He confirmed that agreed management actions would be complete within 3 months. Mr Crombie provided the committee with further background on the current training programme for trainee perfusionists in Lothian, the risks associated with a highly competitive market for these employees, and the significant challenge to recruit and retain perfusionists.

23.1.3 The Committee agreed to accept the report.

Mr Crombie left the meeting.

23.2 Internal Audit – Progress Report September 2015

23.2.1 Mrs Berry gave a detailed overview of the report. She highlighted that although three additional audits had been added to the plan, Internal Audit remained on track to complete the planned schedule of work.

23.2.2 Mrs Berry assured the Committee that if further requests for additional audits were received Internal Audit would have capacity to accommodate these.

23.2.3 Mrs Berry reported that she would bring forward a draft report regarding the appointment of internal auditors to the Integration Joint Boards to the Section 95 officers group. She had sought advice from both local authority and NHS colleagues on the report and Mrs Berry and Mr Marriot agreed to bring forward the report to the Committee if appropriate.

CM/HB

23.2.4 The Committee accepted the report.

23.3 Internal Audit – Reports with Green Ratings August 2015 (Annual Stock-Taking; Health & Social Care Integration)

23.3.1 The Committee agreed to accept the Report with Green Ratings – August 2015.

23.4 Internal Audit – Workforce Planning

23.4.1 Mrs Berry gave a detailed overview of the report and background to the Audit.

23.4.2 Mr Davison advised the Committee that they could take assurance from the recent Board Development sessions that considered workforce planning, and the significant development and benefit that could be achieved through the use of e-Rostering in ensuring that the right staff are in the right place at the right time.

23.4.3 Members agreed that it would be appropriate for Ms Johnson to bring forward an update to the December meeting.

MJ

23.4.4 The Committee accepted the report.

23.5 Counter Fraud Activity

23.5.1 Mr Old gave a brief overview of the report. He advised that at present there were 3 open referrals and 7 open operations.

23.5.2 Mr Old advised that NHS Lothian had referred the outcome of operation Iona to the Professional Standards Authority, however at present the GDP in question remained fit to practice within NHS Lothian.

25.3.3 The Committee agreed to accept the report.

26. **General Corporate Governance**

26.1 Payment Verification Protocols in Primary Care

26.1.1 The Committee noted the Director's Letter DL (2015) 18 and the assurances that the payment verification protocols will be considered by the Finance and Resource Committee.

26.2 Write Off of Overseas Debts

26.2.1 Ms Howard gave a brief overview of the report.

26.2.2 The Committee reviewed appendix 1 and confirmed that the Director of Finance may approach the SGHSCD for its approval to write off the loss.

27. Date of Next Meeting

27.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 7 December 2015 at 9:00 in Waverley Gate, Edinburgh. Committee members only are asked to attend by 8.45 for the scheduled 15-minute pre-meeting.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 7 December 2015 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Ms J McDowell (in the Chair); Councillor D Grant; and Councillor C Johnstone.

In Attendance: Ms J Bennett (Associate Director of Quality Improvement & Safety); Mrs H Berry (Interim Chief Internal Auditor); Mr T Davison (Chief Executive); Mrs S Goldsmith (Director of Finance); Mr B Houston (Chairman); Ms D Howard (Head of Financial Control); Ms C Hurst (Non-Executive Member); Ms F Ireland (Assistant Director - Nursing Workforce & Business Support); Mr P Lodge (Audit Scotland); Mr T Steele (Non-Executive Director, NHS Lanarkshire); Mr J Old (Financial Controller); Mr A Payne (Corporate Governance & VFM Manager); Mr M Smith (Internal Audit Manager); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Mr Ash, Dr Bryce, Ms Grant, Mr McConnell, Professor McMahon and Mr Egan.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

28. Minutes of the Previous Meeting

28.1 Minutes of the previous meeting held on 7 September 2015 – The Committee approved the circulated minutes as a correct record.

29 Matters Arising

29.1 Matters Arising from the Meeting of 7 September 2015 – The Committee accepted the update on the actions detailed within the Running Action Note.

29.2 Update on the Internal Audit on Workforce Planning – Inpatient Nursing & Midwifery – Ms Ireland gave a brief overview of the report. Ms Berry confirmed that they would follow-up the actions as part of the routine follow-up process.

29.2.1 The Committee agreed to accept the report.

Ms Ireland left the meeting.

30. Risk Management

30.1 NHS Lothian Corporate Risk Register Update

30.1.1 Ms Bennett gave a detailed overview of the report. She reported that NHS Lothian remained out with its risk appetite on corporate objectives where low and medium risk appetite had been set, with the exception of Scheduled Care.

30.1.2 Members noted the request to the Board to approve the inclusion of Traffic Management within the corporate risk register at its December meeting.

30.1.3 Members briefly discussed NHS Lothian's current position, how this could be mitigated and the importance of considering the context surrounding performance targets both locally and nationally. Further discussion on this matter would be picked up under item 3.2 of the agenda, *Monitoring Performance against the Board's Risk Appetite & Tolerances*.

30.1.4 The Committee agreed to accept the report.

30.2 **Monitoring Performance against the Board's Risk Appetite & Tolerances** –Mr Payne presented the paper to the Committee, setting out a new approach for the Corporate Management Team to explain what action is being taken to bring performance back within the Board's risk tolerances. The report included a proposed timetable for the committee to receive reports, with Healthcare Associated Infection and Delayed Discharge being considered first in February 2016. Mr Payne informed the committee that the Corporate Management Team members had been consulted, and that the Corporate Management Team will be discussing it next week.

30.2.1 The Committee welcomed the approach as a significant step forward. .

30.2.3 The committee was informed that the proforma should efficiently incorporate relevant actions that may have already been presented at the Board or a committee, and every effort should be made to avoid duplication. However this approach will add value by providing focus as to whether or not the actions will attend to the breached risk tolerances, and thereby better inform the Audit and Risk Committee.

30.2.4 The Committee approved the approach set out in the report.

31 Internal Audit & Counter Fraud Reports

31.1 Internal Audit – Progress Report December 2015

31.1.1 Mrs Berry gave a detailed overview of the report. She highlighted that 10 of the 20 reports were complete and Internal Audit remained on track to complete the planned schedule of work.

31.1.2 Mrs Berry reported that she had met with the Chief Internal Auditor, Midlothian Integration Joint Board (IJB) and would working to produce a draft service

level agreement to set out the terms in which the NHS and Local Authority Internal Audit Teams would work to provide assurance to the Midlothian IJB; Once approved the report would be shared with each IJB to promote consistency across Lothian.

31.1.3 The Committee expressed concern about the number of management actions that had not been completed on time and where internal audit was unaware of any planned activity to complete the action. The Committee questioned what could be done to address this situation. Ms Berry assured the Committee that internal audit would continue to work with the Corporate Management Team to provide the necessary information to close off actions within the necessary timescales, including sending a report on management actions a month in advance of each Audit and Risk Committee to make the Corporate Management Team aware of what action was required. The Chair requested that Ms Berry include narrative within the progress report on this matter.

HB

31.1.4 Mr Davison acknowledged that the trend was not good, but took some comfort that none of the actions were assessed as critical. He will discuss the issue at the Corporate Management Team, to ensure that significant actions are prioritised. It was agreed that management should always give a response to all outstanding points as part of the follow-up process.

31.1.5 Mrs Goldsmith advised the committee that the result of the recent tendering process was that Scott-Moncrieff was appointed on a three-year contract starting on 1 November 2015 to provide internal audit services under a co-sourcing arrangement. She highlighted that the arrangement gave the Board access to a wider range of expertise, and also offered development opportunities for the in-house team. The Committee welcomed the appointment and acknowledged the improvement in the quality of the service under the co-sourcing arrangement.

31.1.6 The Committee accepted the report.

31.2 Internal Audit – Reports with Green Ratings December 2015 (Expenditure and Payables, HEI Inspection Follow-Up)

31.2.1 The Committee agreed to accept the Report with Green Ratings – December 2015.

31.3 Internal Audit – Healthcare Governance October 2015

31.3.1 Mr Smith gave a detailed overview of the report and background to the Audit.

31.3.2 Members were assured that though the measures to address the gap had been put on hold, they would be addressed once the new Chair of Healthcare Governance was in place.

31.3.3 The Committee accepted the report.

31.4 Internal Audit – Procurement September 2015

31.4.1 Mr Smith gave a detailed overview of the report and background to the Audit.

31.4.2 The Committee agreed to accept the report.

31.5 Internal Audit – TrakCare Application October 2015

31.5.1 Mr Smith gave an overview of the first annual audit on IT software focusing on TrakCare. He commented that in his experience the results were fairly typical for an IT audit.

31.5.2 The Committee agreed to accept the report.

31.6 Internal Audit Plan 2016 – 2019

31.6.1 Ms Berry introduced the report and provided background on the consultation process. She highlighted that further consideration of the establishment of the IJBs and their requirements would be required once their internal Audit needs had been identified.

31.6.2 Members were encouraged that an audit on Organisation Culture had been included in the plan as a follow up measure and learn from past lessons that had been raised during the waiting times incidents.

31.6.3 Ms Berry agreed to add an annual audit relating to Staff Governance. **HB**

31.6.4 The Committee agreed to accept the report, recognising that a final draft for approval will be presented at a later meeting.

32. Counter Fraud Activity

32.1 Mr Old gave a brief overview of the report. He advised that at present there were 2 open referrals and 6 open operations.

32.1.1 Mr Old advised that the trends remained similar to previous years in both type and level of referrals received. He highlighted that the counter fraud hotline had moved to Crime Stoppers allowing Counter Fraud Staff to be more proactive.

32.1.2 The Committee agreed to accept the report.

33. General Corporate Governance

33.1 Litigation Annual Report 2014/15

33.1.1 Mrs Goldsmith gave a detailed overview and provided background to the report. She highlighted that the total cost for claims for 2014/15 was £7,578,527..

33.1.2 Members noted that there was no direct link between serious adverse events and litigation claims. The top claims for clinical claims were related to treatment problems, surgery and diagnosis. Non clinical claims focus on slips, trips and falls, sharps and manual handling. There is ongoing work with Maternity Services and Facilities to mitigate risk through an open complaints/ SAE process.

33.1.2 The Chair expressed concern that there had been a significant increase in non-clinical cases in 2014/15 compared to previous years. Mrs Bennett advised that this would be addressed during the work with facilities and

HSDU. The Chair commented that it would be useful to look at trends in adverse events, and not just the trends in claims. Mr Davison advised that the Board does not contest all small claims as it is not cost-effective to do so. It may be helpful to get comparative data from other Boards to see if any lessons can be learned. Ms Bennett agreed to pursue obtaining national data and provide feedback to the Committee.

JB

33.1.3 It was noted that following the recent transfer of prison services to NHS Lothian it was not possible to have context on the claims from that area.

33.1.4 The Committee agreed to accept the report.

33.2 Review of NHS Lothian Standing Financial Instructions

33.2.1 Members noted the minor changes to the Standing Financial Instructions surrounding the IJBs and procurement.

33.2.2 The Committee agreed that the changes were appropriate, and agreed that the draft should be placed on the policy consultation zone in the period leading up to it being presented to the Board for approval.

AP

33.3 Organisational Response to the Internal Audit on Compliance with Policies and Procedures

33.3.1 Mrs Goldsmith gave a detailed overview and background to the report. She highlighted that it was key that CMT take ownership for implementation to ensure that the Chief Executive and the Audit and Risk Committee were assured on compliance of policies and procedures.

33.3.2 The Committee discussed the subject. It was agreed that the approach should link back to the Board's risk appetite, and the approach should be prioritised and proportionate to the risk to the organisation. Mr Davison gave an example of prioritising fire prevention work at the Princess Alexandra Eye Pavillion.

33.3.3 The work to date had shown that a new approach was required, with a greater regard at the development stage as to how a policy and procedure can and will be implemented in practice. The Corporate Management Team had considered a report on 9 November, and it was agreed that Mr Payne would meet with each member to gather his or her perspective, and inform the development of an action plan. Mr Payne advised that recognising the size and diversity of the organisation, it is unlikely that there will be a universal solution. The solution may be to devise an agreed set of principles, which local departments are then to apply to their local context. Ms Bennett highlighted the importance of testing things in practice, and designing out risk (rather than relying on training).

33.3.4 Mr Payne anticipated that his meetings with CMT Directors would be concluded by the end of the month and that the committee will receive a progress report at its April meeting.

AP

33.3.5 The Committee agreed to accept the report

34. Date of Next Meeting

- 34.1 It was noted that the next scheduled meeting of the Audit Committee would be held on Monday, 29 February 2016 at 9:00 in Waverley Gate, Edinburgh. Committee members only are asked to attend by 8.45 for the scheduled 15-minute pre-meeting.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 29 February 2016 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Ms J McDowell (in the Chair); Mr M Ash; Councillor D Grant; Ms C Hirst; and Mr P Murray.

In Attendance: Mr A Boyter (for item 38); Mrs H Berry (Chief Internal Auditor); Ms F Cameron (for item 36); Mr T Davison (Chief Executive); Dr D Farquharson (for item 36); Ms C Grant (Audit Scotland); Ms S Gibbs (Deputising for Ms Bennett); Mrs S Goldsmith (Director of Finance); Ms C Grant (Audit Scotland); Ms B Livingston (Deputising for Ms Howard); Mr D McConnell (Audit Scotland); Mr J Old (Financial Controller); Mr A Payne (Corporate Governance & VFM Manager); Mr D Richardson (for item 38); Ms K Steele (Internal Audit Manager); and Miss L Baird (Committee Administrator).

Apologies for absence were received from Ms Bennett, Mr Houston, Ms Howard, Professor McMahon.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

35. Minutes of the Previous Meeting

35.1 Minutes of the previous meeting held on 7 December 2016– The Committee approved the circulated minutes as a correct record, subject to the inclusion of Ms Hirst in the attendance section.

36 Healthcare Associated Infection Proforma to Report Actions to Bring Performance Back to Within Risk Tolerance

36.1 Ms Cameron gave a detailed overview of the downward trend and consistent performance over the past year. She advised that the key challenges were antimicrobial prescribing for *Clostridium difficile* and the reduction of incidents relating to invasive devices for *Staphylococcus aureus* Bacteraemia.

36.2 In response to a query regarding consequences to employees of not adhering to NHS Lothian policy, Dr Farquharson advised that escalation to disciplinary action would only be appropriate if a colleague was persistently breaching policy. The preferred approach to date within NHS Lothian has been to respond in a more supportive and educational way so as promote implementation.

36.3 The Committee welcomed the effort that had been made to compile the newly created pro forma. However, the proforma did not effectively communicate the key issues presented in the oral report, or provide assurance that the actions will bring performance back within the tolerance levels. The Chair also expressed specific concerns that previous assurances surrounding the Vale of Leven report recommendations had been diminished by the update received at the meeting.

36.4 The Committee agreed that:

- ✓ The issues should be referred to the Healthcare Governance Committee, so that it may provide assurance to the Audit & Risk Committee that actions are being taken to bring performance back within risk tolerance. **AP**
- ✓ The Chair of the Healthcare Governance Committee and the Medical Director be invited to attend the ARC meeting of 18 April to discuss this subject. **AP**
- ✓ The Chair of the Audit & Risk Committee and the Corporate Governance Manager will review the use of the risk appetite proforma, to improve the mechanism for the committee to receive the required assurance. **JMcD/ AP**

36.5 Members agreed to defer making a decision on the recommendations until further assurances were received.

Dr Farquharson and Ms Cameron left the meeting.

37. Matters Arising

37.1 Matters Arising from the Meeting of 7 December 2015 – The Committee accepted the update on the actions detailed within the Running Action Note.

37.1.1 The Committee agreed to accept the report.

38. Health and Safety Governance (November 2015)

38.1 Mr Boyter introduced the audit on Health and Safety Governance November 2016. He advised that the main concern flagged was that the NHS Lothian Health and Safety Policy had not been approved by the Board. The Board has since approved the policy at its meeting in February 2016.

Ms Gibbs joined the meeting.

38.1.1 The Committee acknowledged that the Board is actively considering establishing a Health & Safety Committee as a committee of the Board chaired by a non-executive.

38.1.2 The Committee accepted the report.

Mr Boyter and Mr Richardson left the meeting.

39. Risk Management

39.1 NHS Lothian Corporate Risk Register Update

39.1.1 Ms Gibbs gave a detailed overview of the report. She highlighted that NHS Lothian remained out with its risk appetite on corporate objectives where low and medium risk appetite had been set, with the exception of Scheduled Care. She also advised that work was underway to develop an acute services risk register, and that there was also development work underway for the Edinburgh, East Lothian, and Midlothian integration joint boards.

39.1.2 A member indicated that the risk management process need to consider the impact of distinguishing between integration functions that are to be funded by the set-aside arrangement, and those that are not. Ms Gibbs agreed to ensure this was discussed.

SG

39.1.3 The Committee raised concerns that General Practice Workforce Sustainability was presenting as high risk when Members had not been advised of the risk at previous meetings, and the report did not provide any detail on it. It was noted that the report stated it had been added to the corporate risk register in October 2015. The Chair requested that Ms Bennett provide a full explanation of the process for identifying and including risks on the corporate risk register, with due regard to the circumstances leading to the inclusion of the General Practice Workforce Sustainability risk categorised as RED.

JB

39.1.4 The Committee also agreed that there should be clearer timescales for actions identified in the report.

JB

39.1.5 A member highlighted that there are opportunities for the risk register to make better linkages between efforts to improve quality and how this will impact on risks. It was highlighted that there was nothing in the update to the finance risk that made the link to quality and improvement work.

JB

39.1.6 The Committee agreed to accept the report.

39.2 Risk Appetite Proforma – Delayed Discharges

39.2.1 The Panel noted that Mr Crombie had requested that this item be deferred until the April Audit and Risk Committee to allow further consideration and provide something of greater use to the Committee.

40 **Internal Audit & Counter Fraud Reports**

40.1 Internal Audit – Progress Report February 2016

40.1.1 Mrs Berry gave a detailed overview of the report. She reported that 15 of the 20 audits were complete and she planned to complete one additional audit that will assess the extent to which NHS Lothian followed the agreed financial assurance processes in order to arrive at the 2016/17 sums to be transferred to each integration joint board. Internal Audit remained on track to complete the planned schedule of work.

40.1.2 Mrs Berry reported that she had met with the Chief Internal Auditors for, Midlothian Council, East Lothian Council, West Lothian Council and City of

Edinburgh Council to discuss the provision of internal audit services for the integration joint boards.

40.1.3 A member highlighted the poor performance in two of the key performance indicators, namely draft reports to be issued within 10 working days of completing the fieldwork, and management responses (to the draft reports) to be received within 10 working days of the issue of the draft report. He queried whether these indicators were actually realistic or achievable, and what the overall impact on outcomes is as a consequence of them not being achieved. There may be a relationship between this process, and the growth in the number of agreed management actions that have not been completed on time. Mrs Berry agreed to discuss this issue with Mrs Goldsmith out with the meeting.

HB/SG

40.1.4 The Committee accepted the report.

40.2 Internal Audit – Reports with Green Ratings – Prescribing Follow-up (February 2016); Re-Provision of the Royal Edinburgh Hospital (January 2016)

40.2.1 Ms Berry gave a detailed overview of the report.

40.2.2 The Committee agreed to accept the Report with Green Ratings – December 2015.

40.3 Public Dental Service Accounts Receivable (November 2016)

40.3.1 The Committee was disappointed that Mr Forrest was unable to attend the meeting, and agreed that the item be deferred to the next meeting.

AP

40.4 Bank and Agency Staffing (January 2016)

40.4.1 The Committee was disappointed that Professor McMahon was unable to attend the meeting, and agreed that the item be deferred to the next meeting.

AP

40.5 Internal Audit Plan 2016 – 2019

40.5.1 Ms Berry introduced the report and updated the Committee on the changes to the plan since November 2015. She highlighted that the Corporate Management Team was content with the plan and no significant changes had been made.

40.5.2 A member queried whether the Health & Safety Governance and IT Development Projects audits should be brought forward from 2018/19, given discussion earlier during the meeting. Ms Berry explained that timing of the Health and Safety Governance review was scheduled for 2018/19 as part of the cycle of review. The audit would follow up on recent eHealth and Health and Safety Audits. She anticipated that moving forward the Health and Safety Audit would not allow sufficient time for the reclassification of the NHS Lothian Health and Safety Committee. In relation to the IT Development Project audit, Ms Berry explained that an audit of e-Health Strategy was currently underway, and would be reported to the April meeting of the A&RC. Again, it would be helpful to allow time for actions from that audit to be completed. The Annual IA Plan is presented for approval by the A&RC each year, so there would be

an opportunity for Committee members to consider whether the IT Development Projects review should be brought forward to 2017/18. . . .

31.6.4 The Committee agreed to accept the report.

41. Counter Fraud Activity

41.1 Mr Old gave a brief overview of the report and drew the Committees attention to the typographical error in Section 3.2. He clarified that there were 3 open referrals and 5 open referrals.

41.1.1 Mr Old advised that operation Iona had investigated the legitimacy of claims made resulting in the practitioner being deemed fit to practice. NHS Lothian cannot do anything further in terms of disciplinary action however further action may occur following a re-examination by the Dental Practitioners Board.

32.1.2 The Committee agreed to accept the report.

Mr Davison entered the meeting.

42. Follow-Up on Outstanding Management Actions

42.1 Mr Davison acknowledged that the rise in outstanding actions did not present a good picture. He advised that this matter had been discussed extensively at the Corporate Management Team and offered to share with the committee members the minutes of that discussion.

AP

42.2 Mr Davison confirmed that the current position is not acceptable, and if a director has provided insufficient narrative to an outstanding point, then he or she will be invited to give an account to the Audit & Risk Committee.

42.3 He highlighted that the issue of management overload is a real challenge and there is a need for the organisation to consider this again. It may be the case that part of the response to this issue is to consider the relative materiality of each point, and give priority to the areas of highest risk first.

42.4 A member queried whether the performance of the 2016/17 internal audit plan will just add to the problem, and highlighted that there is a need to consider all aspects.

42.5 The Committee recognised that this area is receiving additional attention, and in the past this has led to a decline in outstanding actions. The Committee also recognised the challenges with management capacity. However the Committee does require to seek continuous improvement.

42.6 The Committee concluded that it encourages any work to identify actions that are no longer appropriate, however agreed that there needed to be continued re-focussed effort to address these outstanding actions.

42.7 The Committee agreed that an update on this matter would be brought to the April meeting following further consideration at the Corporate Management Team in March.

HB

Mr Davison Left the meeting

43. External Auditors

43.1 External Audit Annual Plan 2015/16

43.1.1 Mr McConnell introduced the report, advising that the plan focused on the work leading up to signing off the 2015/16 Annual Accounts in June.

43.1.2 Mr McConnell advised that Integration of the Health and Social Care had not been included in appendix 2 as it would not be relevant to the 2015/16 Annual Accounts. He anticipated that this would be picked up in 2016/17 by the new External Auditor following the conclusion of Audit Scotland's current term as the external auditor for NHS Lothian.

43.1.3 The Committee agreed to accept the report.

44. General Corporate Governance

44.1 Changes to the Structure of the Annual Accounts

44.1.1 Mr Payne introduced the report. He informed the Committee of the proposed changes to the annual accounts and requested that they accept it as assurance that the process for preparing the 2015/16 annual accounts is underway.

44.1.2 The Committee agreed to accept the report.

44.2 Accounting Policies

44.2.1 Ms Livingston presented the report and highlighted that there was no significant changes to the accounting policies.

44.2.2 The Committee agreed that the accounting policies be adopted by NHS Lothian Board for its 2015/16 annual accounts.

45. Date of Next Meeting

45.1 It was noted that the next scheduled meeting of the Audit & Risk Committee would be held on Monday, 18 April 2016 at 9:00 in Waverley Gate, Edinburgh. Committee members only are asked to attend by 8.45 for the scheduled 15-minute pre-meeting.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 18 April 2016 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Ms J McDowell (in the Chair); Mr M Ash; Councillor D Grant; Ms C Hirst; and Mr P Murray.

In Attendance: Ms J Bennett (Associate Director for Quality Improvement & Safety); Mrs H Berry (Chief Internal Auditor); Jim Crombie (Chief Officer – University Hospitals & Support Services); Mr T Davison (Chief Executive); Dr D Farquharson (Medical Director); Mr J Forrest (Director, West Lothian Integration Joint Board); Mrs S Goldsmith (Director of Finance); Mr B Houston (Chairman); Ms F Ireland (Deputy Director –Corporate Nursing); Mrs R Kelly (Associate Director - Pay, Policy, and Performance Management); Mr C Marriott (Deputy Director of Finance); Mr D McConnell (Audit Scotland); Professor A McMahon (Interim Nurse Director); Ms J Morrison (Head of Patient Experience); Mr J Old (Financial Controller); Mr A Payne (Corporate Governance & VFM Manager); Ms K Steele (Internal Audit Manager); and Miss L Baird (Committee Administrator).

No apologies for absence were received.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

1. Minutes of the Previous Meeting

1.1 Minutes of the previous meeting held on 29 February 2016– The Committee approved the circulated minutes as a correct record.

2. Matters Arising

2.1 Matters Arising from the Meeting of 29 February 2016 – The Committee accepted the update on the actions detailed within the Running Action Note.

2.1.1 Dr Farquharson provided a further update on healthcare associated infection. He highlighted that comparing 2015/16 to 2014/15, Staphylococcus aureus Bacteraemia (SAB) rates had reduced from 0.35 to 0.29 per 1000 bed days and Clostridium difficile (c. Diff.) had reduced 0.47 to 0.38 per 1000 bed days. He referred to a recent Health Protection Scotland quarterly report which indicates that NHS Lothian is no longer an outlier for C. diff., SABs and the prescription of C4 antibiotics.

2.1.2 The Committee noted the positive progress in relation to Healthcare Associated Infection.

2.1.3 The Committee agreed to accept the report.

3. Internal Audit Medical Rostering (February 2016)

3.1 Dr Farquharson gave a brief overview of the report highlighting the important and significant control objectives and the actions identified to mitigate them.

3.2 It was noted that actions to implement a robust and consistent eRostering system would be taken forward by Scottish Government and NHS Lothian. The Medical Director - Acute Services has written to clinical management teams to stop them developing local and or interim solutions to eRostering.

3.3 Dr Farquharson advised members of challenges related to unauthorised shift swaps and the legal implications for NHS Lothian: work to mitigate this risk would remain on going due to the high turnover of FY1 doctors.

3.4 Ms Berry assured the Committee that Internal Audit were content with the management response and actions agreed.

3.5 The Committee agreed to accept the report.

Dr Farquharson and Mrs Kelly left the meeting.

4. Briefing on Decisions the ARC can make

4.1 The Committee discussed the report, the nature of the recommendations received and how these could be reviewed in advance of being presented to the Audit and Risk Committee. Ms Hirst commented that it was important that papers remained focussed on matters pertinent to the Audit & Risk Committee, and provided assurance that other committees were addressing the matters relevant to their remit.

4.2 Mr Ash requested that the document be revised to include an expectation of what was required within each report and actions required to provide assurance if the reports received were deemed inadequate. Mr Payne agreed to reflect on this matter out with the meeting and feedback.

4.3 The Committee agreed to accept the report.

5. Risk Management

NHS Lothian Corporate Risk Register Update

5.1.1 Ms Bennett gave a detailed overview of the report. She highlighted that the Risk Management Steering Group would be examining the risks on the corporate risk register to determine if they were as equally significant as the scoring currently suggests later that day.

5.1.2 Following some consideration the Committee were satisfied with the explanation of the General Practice Workforce Sustainability timeline and processes provided within the report.

AP

5.1.3 Ms Bennett explained that the actions to address risks are routinely set out in separate Board papers, and this paper on the Corporate Risk Register purposely tries to avoid duplication. Members debated this matter in detail, concluding that the further mapping and design work was required to bring together risk management and risk appetite in line with planning and performance of the organisation; feeding assurance to the Audit and Risk Committee and ultimately the Board whilst validating the risk register. Mr Houston agreed to take this matter forward with Mr Payne out with the meeting.

BH/AP

Mr Forrest joined the meeting.

5.1.4 The Committee accepted the paper as assurance that the Corporate Risk Register contains all appropriate risks and accepted the information on the review of the Board's Performance management system and the incorporation of risk appetite within the new quality and Performance Report.

5.2 Risk Appetite– Delayed Discharges

5.2.1 Mr Crombie gave a detailed overview of the report. The committee was advised that it is now the role of integration joint boards to put in place packages of care to eliminate delayed discharges, and Lothian NHS Board needs to work with them to achieve this. Delayed discharges do create systemic problems within the acute hospitals, and it was agreed that the NHS Lothian Corporate Risk Register should reflect that the Acute Hospitals Committee should exercise oversight of this risk.

JB

5.2.2 Mr Davison advised the Committee that improvements in delayed discharges had been made in East Lothian and the City of Edinburgh; whilst Mid and West Lothian continued to perform well; though progress had been made assurance that targets could be achieved and sustained cannot be given at this time.

5.2.3 Ms Bennett advised that the risk register had not been amended to take into account the new target of 72 hours as yet and proposed a staged process to bring risk back within appetite. Members agreed the risk should be updated to incorporate the new target.

JB

5.2.4 The Committee agreed that the report provided it with limited assurance that an action plan was being developed to tackle delayed discharges. However it agreed that it had no assurance that performance would be brought sustainably within the risk appetite. The committee agreed that further work was required to identify the point at which the Board accepts residual risk and comes to a firm conclusion on its position.

JB

5.3 Risk Appetite – Patient Experience

5.3.1 Professor McMahon and Ms Morrison gave a detailed overview of the report. They highlighted that risk tolerance had been based on 1 of the 10 questions and could not be considered a reliable measure until further work to improve the return rate had been completed and improvements were made to support systems available to wards.

5.3.2 Members proposed that Professor McMahon and Ms Morrison consider seeking expert advice to assist with the identification of the appropriate sample size in order to receive reliable patient feedback.

5.3.3 The Committee commended the direction of travel and looked forward to a further report at its September meeting.

JM/AMCM

5.4 Risk Appetite – Stroke

5.4.1 Mr Crombie gave a detailed overview of the report. He highlighted the request to change the target from stroke unit access to total bundle compliance and the plan to improve access to stroke services and bring performance within risk appetite.

5.4.2 The Committee noted and commended the work to date however it could not take assurance until it had sight of the figures produced under the new target. It was agreed that a report on the new target would be brought back to the September meeting for consideration.

JC

5.4.3 The Committee agreed to recommend to the Board a revised stroke appetite/ tolerance measure from just stroke unit to total bundle compliance, with a bundle appetite of 80% and tolerance of 75% from April 2016 to March 2017.

JB

5.4.4 The Committee noted the report as assurance that an improvement plan was in place.

5.5 Risk Appetite – Finance

5.5.1 Mrs Goldsmith gave a detailed introduction, highlighting the significant challenges that the Board faces in addressing the root causes of the Board's financial challenge.

5.5.2 The Committee discussed the financial position and the likelihood of achieving financial balance, the risk associated with not achieving financial balance and the implications for services if action was taken to achieve financial balance. Members agreed that they could not discuss this matter further until the Board had had necessary dialogue with Scottish Government colleagues.

5.5.3 It was suggested that the Board should take further measures to feed into the early stages of the development of law or national strategy/ policy, so that the financial implications are recognised and managed at that point. Mrs Goldsmith advised that NHS Lothian would attempt to influence legislation where there may be financial impact, however this was not always possible.

5.5.4 The Committee agreed that this paper should be referred to the Finance & Resources Committee for advice as to how to proceed.

JMcD

5.5.5 The Committee noted that the root causes of the financial challenge were being explored and that the organisation has a programme of work underway to address the challenge.

6 **Internal Audit & Counter Fraud Reports**

6.1 Internal Audit – Progress Report April 2016

6.1.1 Mrs Berry gave a detailed overview of the report. She highlighted that following queries at the February meeting she had met with Mrs Goldsmith to discuss altering the Key Performance Indicators (KPIs). It was agreed that KPIs 4 and 5 would be amended to 15 days making target dates for draft reports and management response more achievable.

6.1.2 The Committee accepted the report.

6.2 Public Dental Service Accounts Receivable (November 2015)

6.2.1 Ms Steele and Mr Forrest gave a brief overview of the report. Mr Forrest anticipated that management actions would be concluded by the end of September.

6.2.2 The Committee accepted the report.

6.3 Bank and Agency Staffing (January 2016)

6.3.1 Ms Steele gave a brief overview of the report. She noted a number of weaknesses in the key controls, highlighting the critical issue relating to use of the register of approved bank staff and the need to ensure that new bank and agency staff are appropriately authorised by following the bank staff process.

6.3.2 Ms Ireland advised the Committee that opportunities to confirm the suitability of staff had occurred prior to the member of staff being considered by the bank. She advised the Committee that there were robust processes in place within the bank and work with the Director of Pharmacy and Ms Howard's Team to capture relevant new starts through the bank and agency staffing procedures and mitigate these errors was on-going.

9.3.2 The Committee accepted the report.

6.4 Financial Planning (March 2016)

6.4.1 Ms Berry gave a brief overview of the report. She noted that though the financial position was extremely challenging the controls in place were for the most part adequately designed and, to the extent that the timing of the audit allowed, they were confirmed as operating effectively.

6.4.2 The Committee discussed the importance of ownership of budgets. Mrs Goldsmith expected that that changes to the budget sign off process would encourage ownership and adherence to budgets.

6.4.3 The Committee agreed to accept the report.

6.5 Follow-Up of Management Actions Report (April 2016)

6.5.1 Ms Berry gave a detailed overview of the report. She highlighted that following the Corporate Management Team Meeting 34 actions had been closed, plus a further 4 since the report being issued to the Committee. Management continue to provide information to the Internal Audit team with renewed momentum.

6.5.2 The Committee recognised the positive improvement following the last meeting and anticipated continued progress at future meetings.

6.5.3 The Committee accepted the report.

7. Counter Fraud Activity

7.1 Mr Old gave a brief overview of the report. He highlighted that at present there were 4 open referrals and 4 open referrals.

7.2 The Committee agreed to accept the report.

8. External Auditors

8.1 NHS Lothian Reviews of Key Controls 2015/16

8.1.1 Mr McConnell introduced the report, advising that there were no significant weaknesses within the key controls therefore Audit Scotland could rely on internal audit and the key controls in their annual certification process.

8.1.2 The Committee agreed to accept the report.

9. General Corporate Governance

9.1 Action Plan relating to Compliance with Policies

9.1.1 Mr Payne introduced the report. He informed the Committee of the extensive engagement with management to identify the root cause of the issues and develop a meaningful action plan.

9.1.2 The Committee agreed to accept the report as assurance that an action plan was in place to address the issues raised in the Compliance with Policies and Procedures (April 2015) audit report. Members requested a further update in September before moving to an annual reporting schedule.

AP

10. Any Other Competent Business

10.1 External Audit Appointment

10.1 Mrs Goldsmith advised the Committee that NHS Lothian had been provisionally informed Scott Moncrieff would replace Audit Scotland as external auditors for NHS Lothian. She highlighted the conflict for the current provision of the Internal Audit Services and though she was content with Scott Moncrieff's appointment as external auditors she noted the loss of Ms Berry's expertise within the Internal Audit Team; Mr Marriott would lead procuring a new internal audit provider and feedback on progress in due course.

CM

11. Date of Next Meeting

11.1 It was noted that the next scheduled meeting of the Audit & Risk Committee would be held on Monday, 20 June 2016 at 9:00 in Waverley Gate, Edinburgh. Committee members only are asked to attend by 8.45 for the scheduled 45-minute pre-meeting.

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.30 am on Monday, 20 June 2016 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Ms J. McDowell (chair), Non-Executive Board Member; Mr M. Ash, Non-Executive Board Member; Ms C. Hirst, Non-Executive Board Member; and Mr P. Murray, Non-Executive Board Member.

In Attendance: Ms J. Bennett, Associate Director for Quality Improvement and Safety; Ms H. Berry, Chief Internal Auditor; Mr C. Briggs, Associate Director of Strategic Planning (item 15.2); Ms C. Grant, Audit Scotland; Ms S. Goldsmith, Director of Finance; Mr B. Houston, Board Chairman; Ms D. Howard, Head of Financial Services; Mr A. Jackson, Assistant Director of Healthcare Planning (item 15.4); Mr M. Lavender, Scott-Moncrieff; Ms B. Livingston, Financial Controller; Mr C. Marriott, Deputy Director of Finance; Mr D. McConnell, Audit Scotland; Mr J. Old, Financial Controller; Mr A. Payne, Corporate Governance Manager; Ms B. Pillath, Committee Administrator; Ms K. Steele, Internal Audit Manager; Ms A. Timoney, Pharmacy Director (item 17.7).

Apologies: Mr T. Davison, Chief Executive; Mr D. Grant, Non-Executive Board Member.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

12. Minutes and Actions from the Previous Meeting (18 April 2016)

- 12.1 The minutes and action note from the meeting held on 18 April 2016 were approved as a correct record.
- 12.2 The Chair asked Mr Payne to give an update at a future meeting in relation to item 5.1.1 of the minutes, which related to examining the risks on the Corporate Risk Register.

13. Results from the Committee Member Survey

- 13.1 The Chair advised that the members would meet at a later date to consider any actions.

14. Risk Management (assurance)

14.1 NHS Lothian Corporate Risk Register

- 14.1.1 Ms Bennett noted the inclusion of high operational risks including the health and social care partnerships and acute services risk registers. This was in response to

a recommendation from the Best Value Toolkit that the corporate risk register should be driven by the high operational risks, and was to show how these were aligned.

- 14.1.2 The healthcare associated infection risk had been reduced from high risk as NHS Lothian was now showing improvement in reducing incidences of *Staphylococcus aureus* Bacteraemia and *Clostridium difficile* in line with the Scottish Government HEAT targets and was no longer an outlier in terms of other Boards' reduction. There would be further consideration of the action plan at the Risk Management Steering Group.
- 14.1.3 Ms Bennett advised that as integration joint boards would have some corporate risks which could affect NHS Lothian's services, both East Lothian and Midlothian were using the DATIX risk management system which would allow oversight of the integration joint boards' risks. Further work would be taken forward in relation to the other integration joint boards.
- 14.1.4 Ms Hirst noted that some risks did not appear on all four health and social care partnership risk registers, for instance GP recruitment. Ms Bennett advised that there was oversight of all the risk registers, and noted that GP recruitment was recognised by NHS Lothian as a corporate risk, but was only on the health and social care operational risk registers of those areas with specific problems.

14.2 Risk Management Annual Report 2015/16

- 14.2.1 The annual report set out the process for identifying risk and improvement. The Committee accepted the report.

15. **Internal Audit (assurance)**

15.1 Internal Audit – Progress Report (June 2016)

- 15.1.1 The Committee approved the proposal that the Chief Internal Auditor and the Corporate Governance Manager would agree a protocol to ensure final internal audit reports would be routinely published on NHS Lothian's website. **HB/ AP**

- 15.1.2 The recommendations regarding the meeting between NHS Lothian and representatives from the audit Committees of integration joint boards were discussed and agreed. This would be a preliminary meeting involving the chief internal auditors of the integration joint boards, all of whom were also chief internal auditors of the respective local authority, and any proposals or agreements made would need to be formally approved by the local authorities and the NHS Board. Ms Berry advised that Midlothian had a draft service level agreement which would be presented to the integration joint board and Midlothian Council audit Committees for approval, and would form a model for the service level agreements of the other Boards.

- 15.1.3 The committee accepted the progress report and the Chair complimented Ms Berry on the quality of the report.

15.2 Strategic Planning (April 2016)

- 15.2.1 Ms Steele presented the report and advised that action was being taken forward to review the Board's strategic plan in light of the plans and directions of the four integration joint boards.

15.2.2 It was suggested that this area be revisited in a years' time as the processes for strategic planning had changed significantly since the implementation of the health and social care integration. Ms Berry confirmed that this could be considered in the annual audit planning.

15.2.3 The Committee accepted the report as the final version.

15.3 eHealth Strategy (April 2016)

15.3.1 Ms Berry commented that in her experience from many organisations it was common for service users and eHealth or IT departments to have different views as to how eHealth strategies and possibilities were effectively communicated. This may be attributed to a difficulty in securing effective general engagement in a technical subject area. The main issue highlighted in the report was therefore on communication. Mrs Goldsmith highlighted that the difference between the plans of eHealth and the ambitions of the organisation was discussed at the Strategic Planning Committee where it was felt that the strategy was more of a work programme and needed to be more strategic. The Strategic Planning Committee would be considering a revised eHealth strategy at a future meeting.

15.3.2 Mr Houston suggested that a model whereby eHealth teams worked directly with different departments on what was needed and what was possible would be more effective than writing a strategy in isolation and relying on service users attend consultation meetings.

15.3.3 Ms Berry confirmed that the subject of eHealth was on the annual audit programme every year and different aspects would be considered each year. The scope of this report was to review the arrangements for developing and implementing the eHealth strategy.

15.3.4 The Committee accepted the report as the final version.

15.4 Integration Joint Board Performance Management Framework (February 2016)

15.4.1 Ms Steele explained that the delay in receiving the report was due to a change to the performance indicators during the course of the audit fieldwork. The fieldwork was initially focussed on the common indicators for integration joint boards, but different indicators were later chosen based on the strategic plans, and the report needed to reflect that change. Mr Jackson noted that the recommendations in the report continued to be useful despite the change. The strategic indicators were still to be finalised, but operational indicators were in place and being used for reporting. This reflected the developing nature of the integration joint boards.

15.4.2 Ms Berry commented that there would be a considerable amount of scrutiny on this subject, and internal audit will monitor the progress as part of routine follow-up process which would be reported in the Internal Audit Progress report to each meeting of the Committee.

15.4.3 The Committee accepted the report as the final version.

15.5 Integration Joint Board Financial Assurance (April 2016)

15.5.1 It was recognised that risk sharing and risk management gaps had not yet been solved for the integration joint boards and that this needed more work. Ms Berry

noted that 2016/17 was being considered as an interim year during which systems were being put in place, and the audit report ensured that arrangements were being made for this to happen.

15.5.2 In relation to the delegation of funds, Ms Goldsmith advised that this had been agreed with all integration joint boards for 2016/17; some cost centres had not been delegated but budget and expenditure would be matched. This would be considered again in the future.

15.5.3 Mr Murray noted that the PCNRAC calculation did not take deprivation into account. This calculation model had been requested by the integration joint boards but the detailed issues would be considered as part of ongoing review.

15.5.4 The Committee accepted the report as the final version.

15.6 Follow Up of Management Actions Report (June 2016)

15.6.1 The Committee considered a recommendation within the report to remove the actions arising from the 'Compliance with Policies and Procedures' audit from the follow up process. The Committee had previously agreed that it would receive update reports from the Corporate Governance Manager. The Committee deferred a decision on this recommendation until the September 2016 meeting when it would receive the first update report. **JMcD**

15.6.2 The Committee accepted the report as the final version.

15.7 Annual Internal Audit Report 2015/16 (June 2016)

15.7.1 The Committee agreed that the report was very useful in format and presentation and showed excellent performance in the team, and agreed this would also be circulated the Board Members as it gave assurance to the Board as a whole. **AP**

15.7.2 In response to a question from Mr Murray about the burden on staff of completing management actions, Ms Berry advised that actions would be discussed with management teams and priorities would be taken into account to ensure the work was manageable with the resource available.

15.7.3 In response to a question about audit reports reducing risk, Ms Berry advised that audits were targeted at areas on the risk register where assurance was needed.

15.7.4 The Committee chair commented on the excellent format and presentation of the report. The Committee accepted the report.

16. **Counter Fraud (assurance)**

16.1 Counter Fraud Activity and Fraud Referrals and Operations for year Ending 31 March 2016

16.1.1 In response to a question about the progress of cases that had been ongoing for some considerable time, Mr Old advised that these were in discussion with the Procurator Fiscal who would receive the full report before taking forward a decision on which management actions would be based.

16.1.2 In response to a question from Ms Hirst about how weaknesses identified in the system as part of incidents of fraud were addressed, Mr Old advised that recommendations from the Counter Fraud Service were taken on as actions, and actions were discussed with management. If a major system weakness was identified, the service may be referred to Internal Audit, and this had occurred occasionally.

16.1.3 The Committee accepted the recommendations in both reports, and were content that no further information or assurance was required in the reports.

16.2 Counter Fraud Services Patient Exemption Checking Annual Reporting 2015/16

16.2.1 The Committee accepted the recommendations in the report.

17. **General Corporate Governance (assurance)**

17.1 Healthcare Governance Committee Annual Report, 2015/16

17.1.1 It was noted that two assurance needs had been referred to the Staff Governance Committee, but did not appear in the Staff Governance Committee Annual Report. It was agreed that this discrepancy would be discussed with the Staff Governance Committee to determine whether this was an omission in the report or whether there was a gap in the system which needed to be addressed. Mr McConnell confirmed that as this was a specific discrepancy and not a case of non compliance with guidance that he approved of this approach. **AP**

17.1.2 The treatment time guarantee was not on an assurance statement for any Committee, but was included in the Governance Statement for the annual accounts. Ms Bennett advised that this area had previously been overseen by the Strategic Planning Committee, but that as this was not a governance Committee it had been allocated to the Healthcare Governance Committee from the year 2016/17. It was also considered through the risk management process as a corporate risk and assurance was provided in the performance report.

17.1.3 The Committee was advised that the authors of committee annual reports were provided with an extensive briefing and template materials to be used in preparing the reports. The Audit and Risk Committee's view was that the reports were not in the same format thereby making comparisons difficult. The Corporate Governance Manager agreed to use the Committee's feedback to inform and develop the process for 2016/17. **AP**

17.1.4 The Committee agreed to accept the report as a source of assurance to support the Governance Statement.

17.2 Finance and Resources Committee Annual Report 2015/16

17.2.1 The Committee agreed to accept the report as a source of assurance to support the Governance Statement.

17.3 Staff Governance Committee Annual Report 2015/16

17.3.1 The Committee agreed to accept the report as a source of assurance to support the Governance Statement.

17.4 Information Governance Assurance Board Annual Report 2015/16

- 17.4.1 The Committee agreed to accept the report as a source of assurance to support the Governance Statement.
- 17.5 Acute Hospitals Committee Annual Report 2015/16
- 17.5.1 The Committee agreed to accept the report as a source of assurance to support the Governance Statement. It was noted that the assurance needs of these group appeared to be still in development.
- 17.6 National Services Scotland Service Audit Reports 2015/16
- 17.6.1 The Committee accepted the reports from the service auditor as a source of significant assurance with respect to the Board's systems of internal control relating to practitioner services and the National IT Services contract.
- 17.6.2 Mr Payne informed the Committee that a third service auditor report had also been received which related to the National Single Instance, and that it too had an unqualified audit report; this report would be circulated to members for their information. **AP**
- 17.7 Loss of Medicines, Edinburgh Cancer Centre
- 17.7.1 Professor Timoney advised that it was a requirement for any store losses of a value greater than £40,000 to be reported to this Committee before being referred to the Scottish Government for approval. Professor Timoney summarised the report and advised that the remedial work had been completed by December 2015 and an electronic system had now been set up to monitor transfers between the supplier and NHS Lothian's pharmacy systems.
- 17.7.2 The incident and improvement plan had been shared with the pharmacy team working in all NHS Lothian departments as part of discussions on key performance indicators, one of which was stock write off. Following a suggestion from a Committee member, Professor Timoney also agreed to share the improvement plan with other Scottish Health Boards at the Chief Pharmacists Group and the National Pharmacy network.
- 17.7.3 The Committee confirmed that the Director of Finance should approach the Scottish Government Health and Social Care Department SGHSCD for its approval to write-off the loss of £58,950.
- 17.8 Schedule of Losses – SFR 18.0
- 17.8.1 Ms Goldsmith advised that losses on overseas patients were slightly higher in NHS Lothian than other Boards, as more overseas patients received treatment in Lothian. Recommendations to reduce losses in this area had been implemented and there was close work with other Boards to share improvements.
- 17.8.2 The Committee agreed to take a moderate level of assurance on the associated systems of internal control, and agreed that there should be more regular updates on the progress made to improve those systems, with the next report to be received in 6 months' time. **SG**

17.9 Edinburgh and Lothians Health Foundation Annual Report and Accounts 2015/16

17.9.1 The Committee was informed that the accounts had been audited by Scott-Moncrieff and accepted the recommendation to note the processes relating to the production and approval of the Foundation's accounts.

17.10 Patients Private Funds Annual Accounts 2015/16

17.10.1 The Committee approved the recommendations in the report, which included agreeing to recommend to the Board that it approve the draft Patients Private Funds Annual Accounts for the year ended 31 March 2016.

17.10.2 Ms Goldsmith informed the Committee that Mr Lavender of Scott-Moncrieff would be attending meetings in the future as part of the external audit team for the NHS Board's accounts.

8. Annual Accounts (decision)

8.1 Governance Statement

8.1.1 The Committee agreed that the Governance Statement should be included in the annual accounts, subject to a review of the final paragraph which related to the delivery of performance requirements. **AP**

8.2 Management Representation Letter

8.2.1 The Committee reviewed the draft Representation Letter to the external auditors confirmed that the statements represented confirmation to the external auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2016, and agreed to recommend that the letter be signed by the Chief Executive of NHS Lothian.

8.3 NHS Lothian Annual Audit Report 2015/16

8.3.1 Mr McConnell gave a brief overview of the report highlighting how the report was collated, key findings and the audit certificate.

8.3.2 The Committee accepted the report as a source of assurance to inform its review of the annual accounts.

8.4 NHS Lothian Annual Accounts for Year End 31 March 2016

8.4.1 The Committee agreed to recommend to the Board that they adopt the Annual Accounts for the year ended 31st March 2016 and recommend to the Board to authorise the designated signatories to sign the Accounts on behalf of the Board.

8.5 Audit Committee Annual Report and Assurance Statement 2015/16

8.5.1 The Committee agreed to amend the report to reflect the previously identified discrepancies between the committee assurance statements. The Committee agreed that this was an area for development not of such significance that would require to be disclosed in the Governance Statement. **AP**

8.5.2 The Committee approved the annual report subject to the above change being made.

8.6 Notification to Scottish Government Health Department Health and Wellbeing Audit Committee

8.6.1 The Committee approved the letter subject to ensuring that the Governance Statement disclosures were identical to those in the final Governance Statement.**AP**

9. Any Other Competent Business

9.1 Audit Scotland

9.1.1 On behalf of the Committee, Ms McDowell thanked Mr McConnell and Ms Grant and their colleagues at Audit Scotland for the service they had provided as external auditors for the past few years.

10. Date of Next Meeting

10.1 The next meeting of the Audit and Risk Committee would take place at **9.00** on **Monday 5 September 2016** in **Meeting Room 7, Second Floor, Waverley Gate.**

10.2 Further meetings in 2016 would take place on the following dates:
- 7 December 2016;

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 5 September 2016 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Ms J. McDowell (chair), Non-Executive Board Member; Mr M. Ash, Non-Executive Board Member; Mr D. Grant, Non-Executive Board Member; and Mr P. Murray, Non-Executive Board Member.

In Attendance: Ms J. Bennett, Associate Director for Quality Improvement and Safety; Ms H. Berry, Chief Internal Auditor; Mr A Boyter, Director of Human Resources; Mr C Brown, Scott Moncrieff; Ms J Brown, Grant Thornton; Mr G Curley Director of Facilities and Estates; Mr D Eardley, Scott Moncrieff; Mr B. Houston, Board Chairman; Ms B. Livingston, Financial Controller; Mr C. Marriott, Deputy Director of Finance; Professor A McCallum, Director of Public Health and Health Policy; Mr J. Old, Financial Controller; Mr A. Payne, Corporate Governance Manager; Ms K. Steele, Internal Audit Manager.

Apologies: Mr J Crombie, Chief Operating Officer; Mr T. Davison, Chief Executive; Ms C. Hirst, Non-Executive Board Member; Ms S Goldsmith, Director of Finance; Ms D Howard, Head of Financial Services; Professor A McMahan, Executive Director Nursing Midwifery and AHPs.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

Welcomes and Introductions

The Chair welcomed everyone to the meeting. She introduced Mr Brown and his colleague Mr Eardsley, Scott-Moncrieff as the newly appointed external auditors. Mr Brown gave an brief overview of what could be expected of Scott-Moncrieff and highlighting their experience in the Public Sector.

The Chair advised the Committee that following Scott Moncrieff's appointment as the Board's external auditor it was not appropriate for Ms Berry of Scott-Moncrieff to retain the position of Chief Internal Auditor, NHS Lothian. The Chair welcomed Ms Brown of Grant Thornton who, following a tender exercise, had been appointed to take over the position of Chief Internal Auditor, and Ms Brown introduced herself.

The Chair then invited members to introduce themselves for the benefit of the new auditors.

21. Minutes and Actions from the Previous Meeting (20 June 2016)

- 21.1 The minutes and action note from the meeting held on 20 June 2016 were approved as a correct record.
- 21.2 Members acknowledged the new Key to Assurance Levels and approved the use of the document in the preparation of all future Audit and Risk papers. The committee agreed that it would be appropriate for the author of reports

to recommend a level of assurance to the committee. Mr Payne agreed to amend the guidance that he had developed to reflect this. .

AP

22. Matters Arising

22.1 Matters arising from the Meeting of 20 June 2016 – The Committee accepted the update on the actions detailed within the Running Action Note.

23. Risk Management (assurance)

23.1 NHS Lothian Corporate Risk Register

23.1.1 Ms Bennett drew the Committees attention to the examination of the very high risks through the Risk Management Steering Group and the appropriate executive leads. She noted that all risk would remain high with the exception of the 4 hour target which would be reconsidered should the current position be sustained.

23.1.2 Mr Murray asked if the risks are still appropriate to the changing strategic approach towards person-centred care. Ms Bennett advised that the risk relating to GP sustainability is an amplified risk and the Board needs to look at the whole model of care. Ms Bennett said that the risk register does capture the key risks, but whether they have been described in the most appropriate way is another matter to consider. The members discussed the risk management process, and acknowledged that effective working with partner organisation and a genuine integration of services was required to allow substantial progress to be made on the very high risks.

23.1.3 Mr Houston commented that it was difficult to get a sense of the relative importance of the risks. He highlighted that the Board has made progress on understanding and preparing a response to the financial risk over the last few months, however this had not translated to a reduced scoring in the risk register. He highlighted that it is possible that actions to attend to the other risks may not have been adequately reflected.

23.1.4 Mr Grant commented that there had been a lot of work undertaken on delayed discharges but this had not had an impact on the risk. Mr Murray commented that the new environment with integration joint boards should not allow the issue of delayed discharges to sit with the Board. .

23.1.5 Mr Ash asked how the Audit & Risk Committee can be assured that there are underlying systems in place to attend to the risks. Ms Berry advised that she had met with IJB Heads of Internal Audit and action had been taken to ensure that each IJB received assurance for health functions through the dissemination of internal audit reports. She advised that the Chief Internal Auditor of West Lothian Council is organising a further meeting to consider the issue of risk management and risk registers. She proposed that when the NHS Lothian Chief Internal Auditor is presenting internal audit reports to the Committee, that the Committee should be advised which reports are relevant to the integration joint boards. .

23.1.6 One of the “high” risks on the corporate risk register is patient experience. Mr Houston informed members of recent discussions with Mr Martin, the

Scottish Patient Safety Ombudsman, who has raised serious concerns about the Board's continuing underperformance on the management of complaints. The Ombudsman is expecting to see evidence of improvement within three months, and will take further action if he does not see this. Executive management are developing a detailed action plan. Mr Houston advised that this has been on the Board's agenda for a considerable time however this has not led to progress on this issue. Mr Ash commented that the Board has been given assurances in the past that the progress was being made. Mr Houston invited the Committee to consider the reputational risk to the organisation if this was not improved upon and whether escalating patient experience to be within the Board's top 3 risks would be appropriate. .

- 23.1.7 The Committee agreed that the report provided significant assurance that the corporate risk register contained all relevant risks. .
- 23.1.8 The Committee acknowledged that there had been a review of the Very High risks, however it was not assured that actions were in place to bring residual risk to an acceptable level. Mr Ash commented that the other Board committees should be proactively trying to provide assurance to the Audit & Risk Committee that the risks relating to their remits are being managed. Mr Brown added that the whole point of risk management was to be assured that appropriate action is being taken to respond to the identified risks.
- 23.2 Update On Risk Appetite – Patient Experience – The Chair advised that the item on Patient Experience would be deferred until the December meeting given that the response received did not satisfy the questions asked.

Mr Boyter joined the meeting

- 23.3 Update on Risk Appetite – Staff Absence – Mr Boyter highlighted several key points. The current 4% target covers both long term and short term absences, which are substantially different issues. The Board has a workforce that is getting older which in itself increases the likelihood of sickness absence. NHS Lothian has recently appointed a new director and a new chief nurse for the occupational health service, and they have identified the need to improve the quality of the recording of the reasons behind absences. NHS Lothian is currently required to use nationally determined categories for sickness absence, and consequently it may take time to eliminate the categories of “unknown” and “other” which are not helpful. Within NHS Lothian there are properly designed policies and procedures to manage absence however they are not always followed properly. There have been focussed initiatives in the past which have delivered results, however once the spotlight is removed the application of policies can fall back. NHS Lothian does need to focus on managing short-term sickness absences, particularly those where there is no underlying health issue. Management are currently exploring an “invest to save” scheme to increase the resources in the staff physiotherapy service, to allow them to cope with the increasing number of referrals they receive.
- 23.3.1 Ms McDowell commented that there was an extremely high level of absence attributed to stress/ depression. Mr Boyter advised that it was a very broad category which does not differentiate between the causes of the stress, which could be entirely unrelated to work.

- 23.3.2 Professor McCallum advised that stress can lead to early retirement. The Board needs to have adequate policies and procedures to address the needs of individuals, as well as broader organisational responsibility to all of its employees to anticipate and manage the causes of stress. She advised that the Board had not adequately invested in the latter. She commented that employees engaged in “soft” facilities management have the highest levels of stress, and typically they have more difficult lives and are earning lower levels of pay.
- 23.3.3 Mr Boyter advised that NHS Lothian was the only Board with a staff counselling service to provide mental health interventions, however there has been no increase in resources despite steady increases in the number of referrals to the service. He highlighted that in 2005 78% of referrals were seen within 2 weeks, whereas now it is 4%. He commented that modest investment in this service would be beneficial.
- 23.3.4 Mr Murray advised that the Board should set a 3-year target for absences and stick with it, as it takes time to address this issue. In response to a query from Councillor Grant on policy compliance, Mr Boyter confirmed that audits are done, as well as periodic exercises to focus on areas of high absence. The human resources department provides a lot of training and development to managers, and he commented that the trade unions have been very helpful in taking this work forward. Mr Murray acknowledged that the support of trade unions is essential.
- 23.3.5 The Committee agreed to accept the report provide a moderate level of assurance that the root causes of the problem were understood, and acknowledged that an action plan was in development to improve outcomes.
- 23.3.6 The Committee accepted that it will take time to address the issues, however it was a matter for the Staff Governance Committee to lead on, and the Audit & Risk Committee can receive assurance from it at a later date. Mr Boyter advised that due to the timing of meetings this report had been presented to the Audit & Risk Committee before it was presented to the Staff Governance Committee and Lothian Partnership Forum.
- 23.3.7 The Committee agreed that it should receive an update following consideration of the issues at the Staff Governance Committee and Lothian Partnership Forum.

Mr Boyter left the meeting

24. Internal Audit (assurance)

24.1 Internal Audit – Progress Report (September 2016)

- 24.1.1 The Committee noted that Internal Audit was on track to complete the Audit Plan by June 2017. To date 4 reports had been completed and 6 reports would be brought forward for consideration at the December Meeting. Ms Berry advised that the holiday period and increased fieldwork arising from the increasing scope of the audit had interrupted the progress of the Organisation Culture report, however the final report would be presented at

the Committee's December meeting. She did advise that the fieldwork found that employees had reported a clear improvement in the culture.

24.1.2 Ms Berry advised the Committee that arrangements were in place to take forward the issues identified at the integration workshop of 8 August.

24.1.3 KPI 5 management responses received within 15 days was presenting red following 3 out of the 4 responses being late. Members were disappointed that slippage had occurred, as part of continuous improvement activities it was felt that management responses needed to be prioritised and if the problem persisted escalated through the appropriate channels. Mr Houston commented that the organisation was not giving enough focus on quality management, as borne out through responsiveness to internal audit and complaints.

24.1.4 Mr Brown suggested that the follow-up process could just focus on the actions with the most significant areas of risk, rather than all audit points. The Committee did not agree with that suggestion.

24.1.5 The committee accepted the progress report.

24.2 Internal Audit – Reports with Green Ratings (September 2016) – Ms Steele gave a brief overview of the report, which covered two reports that have been approved since June 2016; Property Transactions Monitoring and Compliance with Conduct Standards. .

24.2.1 The Committee accepted the report.

24.3 Internal Audit – Hospital Cleaning (May 2016) – Ms Steele gave a brief overview of the report. She advised the Committee that hospitals were being cleaned within the National cleaning Services standards though some areas for improvement had been identified and actions to improve maintaining audit trails of policy and procedures reviews, evidence of the use of daily checklists and aligning training requirement were required.

24.3.1 In response to a query from the Committee, Mr Curley advised that a previous report (and assurances) relating to the Western General Hospital was concerned with the cleaning of equipment, which is not the responsibility of the facilities management team. However he advised that a pilot is underway with a view to the facilities management team taking responsibility for that subject. .

24.3.2 Ms Bennett commented that there was a read across from the issues in this report and the subject of patient experience. The Committee accepted the report.

24.4 Internal Audit – Business Continuity Planning (June 2016) – Ms Berry advised the Committee that the outcome of the audit reflected the fact that the Business Continuity Manager had only been in post from January 2016. She noted that overall management had accepted the actions required of them.

24.4.1 In response to Mr Murray concerns that the management responses did not appear to address the issues in the report, Professor McCallum provided further context. She explained that the Scottish Government sets strategy, and there has been a move to resilience, which is different from the previous focus on business continuity planning and emergency planning. Ms Berry assured the Committee that management had responded with the resources that were available to them and focus on areas that appeared to be the highest risk.

24.4.3 The Committee accepted the report.

24.5 Internal Audit – Follow-up of Management Actions Report (September 2016) – Ms Berry advised that that 30 actions had been completed since June 2016, including eight older actions from 2014/15.

24.5.1 The Committee raised concerns about the reliance on internal audit to gather evidence for the follow-up process, and the apparent difficulties they were experience in receiving the required evidence. The Committee's view was that management should be proactively providing the evidence, and this should not be disrupted by individuals being on leave. Mr Curley advised the Committee that the facilities directorate does take a proactive approach to informing the internal auditors. Ms Berry advised the Committee that some departments are more experienced in working with auditors and providing responses than others, and assured the Committee that the matter would be escalated if no progress was being made.

24.5.2 Mr Murray commented that some of the older outstanding points indicate that there appears to have been insufficient priority to areas of highest risk.

24.5.3 The Committee agreed to accept the report.

25. Counter Fraud (assurance)

25.1 Counter Fraud Activity

25.1.1 Members noted that there had been 14 new referrals since June 2016, 20 closed and as at 31 July 2016 2 referrals and 3 operations remained open.

25.1.2 The Committee accepted the report as a briefing on the current status of counter fraud activity.

25.1.2 The Committee agreed that the report provided a significant level of assurance that all cases of suspected fraud were accounted for and appropriate action was taken.

25.2 Audit Scotland: National Fraud Initiative (30 June 2016) – Mr Old gave an overview of the report highlighting the twice yearly submission of data and received data matches for investigation as part of the National Fraud Initiative (NFI).

- 25.2.1 Members reviewed the self-appraisal checklist in appendix 1 to ensure that it was fully informed of the planning and progress being made by their officers investigating the NFI 2016/17 exercises.
- 25.2.2 The Committee agrees that the report provided a significant level of assurance that management have properly considered the recommendations of the Audit Scotland report.
- 25.2.3 The Committee agreed that the report provided a significant level of assurance, that management have participated and utilised the tools and services available from NFI exercise to maximise the benefits offered.
- 25.3 CFS Year-End Report 2015/16 and CFS Work plan 2016/17 – the Committee noted the CFS Year-End Report 2015/16 and CFS Work plan 2016/17 and the information detailed therein.
- 25.3.1 The Committee accepted the report.

26. General Corporate Governance (assurance)

- 26.1 Update on the Action Plan Relating to Compliance with Policies and Procedures – Mr Payne gave a detailed overview of the report highlighting that progress to date had focused on the following areas:
 - Defining and communicating priorities.
 - How policies and procedures were developed, approved and communicated.

- 26.1.1 The Committee agreed that the report should be presented to the Board and shared with other committees. Executive management should consider how the project will be overseen and monitored, and that this should be captured in the Board paper. **SG/AP**

- 26.1.2 The Committee reviewed the report and agreed that it had moderate assurance that acceptable progress is being made to the issues raised within the “Compliance to Policies and Procedures” (April 2016) audit report.

- 26.2 Review of Standing Orders – Mr Payne advised the Committee of proposed changes to the Standing Orders to address revisions prompted by amendment regulations issued in January 2016.

- 26.3 Mr Payne advised that the key change was that an employee of the Board could not be Vice-Chair of the Board, or chair a meeting of the Board in the absence of the Chair or Vice-Chair. He also highlighted further changes to accommodate the review of how policies are developed and approved, and remove superseded text.

- 26.2.1 The Committee reviewed the proposed changes and considered them appropriate. Members agreed to recommend that the Board revise the Standing orders.

27. Any Other Competent Business

27.1 There were no other items of business for consideration. The Committee agreed to meet in private with the Chief Internal Auditor and the incoming Chief Internal Auditor after the meeting.

28. Date of Next Meeting

28.1 The next meeting of the Audit and Risk Committee would take place at **9.00** on **Monday 7 December 2016** in **Meeting Room 7, Second Floor, Waverley Gate**.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 5 December 2016 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Ms J. McDowell (chair), Non-Executive Board Member; Mr M. Ash, Non-Executive Board Member; Cllr. D. Grant, Non-Executive Board Member; Ms C. Hirst, Non-Executive Board Member; and Mr P. Murray, Non-Executive Board Member.

In Attendance: Ms J. Bennett, Associate Director for Quality Improvement and Safety; Ms J Butler, Director of Human Resources; Mr C Brown, Scott Moncrieff; Ms J Brown, Chief Internal Auditor; Ms J Campbell, Interim Chief Operating Officer; Ms E Clemente, National Trainee; Mr J Crombie, Interim Chief Executive; Mr D Eardley, Scott Moncrieff; Ms S Goldsmith, Director of Finance; Ms S Knight, National Trainee; Mr C. Marriott, Deputy Director of Finance; Professor A McMahon, Executive Director Nursing Midwifery and AHPs. Professor A McCallum, Director of Public Health and Health Policy; Ms J Morrison, Head of Patient Experience; Mr J. Old, Financial Controller; Mr A. Payne, Corporate Governance Manager; Ms L Baird, Committee Administrator.

Apologies: Ms D Howard, Head of Financial Services; Mr B. Houston, Board Chairman.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

Welcomes and Introductions

The Chair welcomed everyone to the meeting. She introduced Ms Stephanie Knight and Ms Eleanor Clemente, National Trainees attending the meeting to gain experience.

29. Minutes and Actions from the Previous Meeting (5 September 2016)

- 29.1 The minutes and action note from the meeting held on 5 September 2016 were approved as a correct record.

30. Matters Arising

- 30.1 Matters arising from the Meeting of 5 September 2016 – The Committee accepted the update on the actions detailed within the Running Action Note.

31. Risk Management (assurance)

31.1 NHS Lothian Corporate Risk Register

- 31.1.1 Ms Bennett drew the Committees attention to the revision of the patient experience risk to reflect action required following the meeting with the Ombudsman.

- 31.1.2 In response to the Chairs question Ms Bennett advised that Healthcare Governance Committee had assessed the level of assurances provided in respect of plans to mitigate risks pertinent to themselves as set out in the Quality and Performance Report and associated committee papers. It was clarified that other governance committees are being asked to do the same.
- 31.1.3 It was noted that an asterisk signifies that the risk was out with risk appetite; however this had not been applied to the patient experience risk. Further discussion on this matter was required however it was noted that at present the patient experience was not out with risk tolerance.
- 31.1.4 In response to the Chair's request Ms Bennett agreed to review the wording relating to staff absence risk tolerance to make it clearer in advance of the next meeting. **JB**
- 31.1.5 The members discussed the interpretation of performance against the risk tolerances. The members acknowledged that performance may fall within tolerance for a very short period of time, and there is a risk that the information is misinterpreted where the performance is unsustainable and can easily fluctuate out of tolerance. It was suggested that a GREEN status could be used when performance has been within tolerance for 3 months or more, and AMBER where the performance is within tolerance but this has been the case for less than 3 months. Mr Crombie stated that a considered piece of work was required on this, and it could be taken forward with the Committee to develop a solution.
- 31.1.6 Ms Bennett advised that she would be keen to get the Committee's views on how data should be presented at future meetings, and agreed to explore this issue further with the Committee chair. **JB**
- 31.1.6 Mr Murray noted the £6,973k overspent for the year-to-date and questioned whether this was attributed to unachieved savings plans. Ms Goldsmith advised the majority of the overspend related to prescribing, junior doctors and savings but could not immediately confirm the proportion that was attributed to unachieved savings. However she advised that the Finance and Resources Committee has raised concerns, and financial recovery will be monitored on a monthly basis and the Efficiency and Productivity Committee has been reconvened. As the Board moves forward into 2017/18 issues with recurring savings moving out to an unsustainable level would be continue to be a concern.
- 31.1.7 The Committee accepted the significant assurance that the Corporate Risk Register contains all appropriate risks, which were set out in section 3.2 and set Appendix 1 of the report.
- 31.1.8 The Committee acknowledged that as part of the system of control, the other Board committees will be asked to assess the level of assurance provided to them with respects to plans in place to mitigate the risks pertinent to their remit, as set out in the Quality and Performance Report and other associated committee reports.
- 31.2 Update on Risk Appetite – Stroke – The Committee received the update on the recent performance against the nation Scottish Stroke Care Standard.

Ms Jacqui Campbell provided clarity surrounding the predicted compliance outlined in the report. The Chair welcomed her comments and anticipated that the target would be achieved well within the predicted timescale.

- 31.2.1 Members were advised that the Healthcare Governance Committee had taken moderate assurance from the report and that the Acute Hospitals Committee monitors compliance against the stroke bundle through the Quality and Performance Report.
- 31.2.2 Members sought clarity on the reported concern that rehabilitation was difficult to deliver within a pressured site such as the Royal Infirmary of Edinburgh. Ms Campbell explained that I this comment referred to the management of services out with the stroke unit, changes to admission policies and the increased number of patients presenting at the RIE.
- 31.2.3 The Committee accepted moderate assurance that the different approach locally to measure, present and ultimately improve performance based on the national standards, along with projected timescales, will result in meeting national stroke bundle compliance by October 2017.

Ms Campbell left the meeting.

- 31.3 Risk Appetite – Patient Experience – Professor McMahon introduced the report which aimed to provide assurance that there were plans in place to improve patient experience and bring patient feedback within tolerance. He went on to highlight that the Healthcare Governance Committees has oversight of patient experience and the recent discussions with the SPSO.
 - 31.3.1 The Committee discussed the validity and reliability of the data relating to patient experience. Prof. McMahon explained that the sample sizes have been small and the quality of the information is dependant on what respondents say. There are currently problems with the underlying processes in that there are two vacancies, and the IT system that had been used has crashed. The management team are currently working with eHealth to correct this.
 - 31.3.2 Prof McMahon advised that the sample sizes are improving but more needs to be done. More wards need to improve their level of returns, as the overall return rate has been achieved by a small number of wards achieving a high level of returns. Prof. McMahon advised that the support from wards is critical and the organisation needs to explore the use of technology to make the whole process easier, and continue with the improvement work. There has been some success in introducing electronic feedback at the Royal Hospital for Sick Children, making use of a re-designed Tell Us Ten Things questionnaire.
 - 31.3.3 Ms Hirst commented that the Audit & Risk Committee currently cannot take assurance on the reliability of data at individual ward level, and highlighted that it is the role of the Healthcare Governance Committee to oversee this overall topic.

- 31.3.4 Mr Crombie drew the Committee's attention to the 90 day programme lead by Dr Watson which will consider how feedback is gathered. He anticipated that this process will commence within the next couple of weeks with recommendations expected in March. He highlighted his concerns over some comments arising from the annual review where it was suggested that the Board isn't listening to patients. Mr Crombie advised that the Board requires a more explicit strategic approach.
- 31.3.5 The Committee accepted limited assurance that the root causes that are driving the patient experience score are adequately understood. The Committee acknowledged that the Healthcare Governance Committee and the Board have adequate oversight on the key areas of work.
- 31.3.6 The Committee agreed to propose a change in the measure for overall patient experience from 9.5 to 9 in line with the national target and the agreement in principle made by the Healthcare Governance Committee in May 2016. It was acknowledged that this was further supported by the Feedback and Improvement Quality Assurance Working Group in October 2016.
- 31.3.7 The Committee agreed that it should be recommended to the Board that the risk tolerance measure for patient experience should be reduced to 8.5. **JB**

Ms Morrison left the meeting.

32. Internal Audit (assurance)

32.1 Internal Audit – Progress Report (December 2016)

- 32.1.1 Ms Brown noted that following her appointment to the role of Chief Internal Auditor she had reviewed the scope of the Organisational Culture Review and with management made some amendments to the draft report. She expected that the report would be brought forward to the February 2017 meeting.
- 32.1.2 Ms Brown advised the committee that she had reassessed the audit plan in light of some long term absence within the team, and remained confident that the team could deliver all the planned audits as set out in the approved plan.
- 32.1.3 Ms Brown reported that a total of 120 days had been allocated to the IJB audit function for the period of January to March 2017. Each IJB would get the same number of days. Ms Brown and the Chief Internal Auditors for each IJB will meet in February 2017 at which point draft plans would be presented for 2017/18.
- 32.1.4 It was highlighted that a meeting with the IJB audit committee chairs in early 2017, as agreed in the workshop held in August 2016, is still to be scheduled. **JBr/AP**
- 32.1.5 Ms Brown advised the Committee that the chief internal auditors are developing a controls assurance map which should assist the efficient conduct of business.
- 32.1.6 The Committee accepted the progress report.

- 32.2 Internal Audit – Reports with Green Ratings – Waiting times (August 2016; Research and Development (September 2016) – The Committee accepted the report.
- 32.3 Internal Audit -Absence Management (October 2016) – Mr Murray expressed concerns that there was no mandatory training outline for Managers, the management responses placed reliance on local Partnerships Forums and the approach to addressing the problems was too weak. ~Ms Butler that she took the view that a more effective approach to this subject is to take the work through the 12 local partnership fora, each of which are jointly chaired by management and staff partnership representatives. These fora are responsible for the local staff governance improvement plans, and Ms Butler had asked them to come back with local action plans to this audit.
- 32.3.1 Ms Butler advised the Committee that management teams are proactive in addressing absences, and there is a lot of review and checks as part of normal management practice. She advised that some management teams have established absence review panels. HR online was the recognised training vehicle for management and staff alike. Mr Murray thanked for Ms Brown for her overview however he highlighted a remaining concern with regard to the uptake on training in relation to the management of sickness absence.
- 32.3.2 Mr Ash enquired as to how integration joint boards have oversight of staff governance matters as they relate to their integration functions. Ms Butler explained that the management teams in health & social care partnerships monitor staff governance issues, and additionally the NHS Lothian Staff Governance Committee is currently reviewing its role.
- 32.3.3 Mr Ash explained that there does need to be a mechanism so that each integration joint board has oversight on staff governance matters. There was further discussion on this point, which highlighted that integration joint boards do not employ anyone, and that health and local authority employees are employed on different terms & conditions and in line with the policies of their employer. It was suggested that there needed to be a pragmatic solution to this, and that the subject should be explored further. Ms McDowell concluded that this matter shall be referred to the Staff Governance Committee for it to determine how this will be addressed.
- 32.3.3 The Committee accepted the report on Absence Management (October 2016).

JMcD

Ms Butler left the meeting.

33. Internal Audit (Continued)

- 33.1 Draft Internal Audit Plan 2016/17 – 2018/19 – Ms Brown gave a brief overview of the key points in the three year plan that reflected the risk register, audit universe and the needs of the Corporate Management Team, and had made explicit links to the Board's values. She highlighted that she had built in a 10% efficiency saving into the development of the plan.

- 33.1.1 Mr Murray highlighted that it may be helpful to carry out IJB reviews earlier in the year in order to link in with the review that Audit Scotland will be performing. **JBr**
- 33.1.2 Mr Ash highlighted that it would be good to get assurance that the actions within the integration schemes have been done. Ms Brown said this could be linked into the work on the IJB controls assurance map and review of IJB Directions scheduled for February 2017. **JBr**
- 33.1.3 Ms Hirst highlighted that the new complaints systems is to be implemented in April 2017, and suggested that it would be better for this subject to be audited at a later point in the year. Ms Brown agreed to this. **JBr**
- 34.1.4 The Committee approved the internal audit plan subject to the requested changes.
- 33.2 Follow-Up of Management Actions Report (December 2016) – Mr Murray asked for further information on the the critical issue relating to the bank and agency audit. Prof McMahon explained that that although and the use of agency staff had generally been stopped, there were exceptions in some areas, particularly paediatrics.
- 33.2.1 The Committee accepted the report.
- 34. Counter Fraud (Assurance)**
- 34.1 Counter Fraud Activity – the Committee accepted the report as a briefing on the current status of counter fraud activity.
- 34.1.1 The Committee agreed that the report provides a significant level of assurance that all cases of suspected fraud were accounted for and an appropriate action had been taken.
- 35. External Audit (Assurance)**
- 35.1 External Audit Update and Outline Plan 2016/17 - Mr Brown gave a brief overview of the report that provided an update on the latest developments and initial outcome of the planning for Scott Moncrieff's 2016/17 external audit. It was expected that a final external audit plan would be presented at the February 2017 meeting.
- 35.1.1 The committee was advised that the external auditors consider the system of governance every year and evaluate any changes. The auditors will consider the impact of integration joint boards as part of this process. .
- 35.1.2 The Committee agreed to accept the report.
- 36. General Corporate Governance (assurance)**
- 36.1 Review of the Standing Financial Instructions – Mr Payne gave a brief overview of the changes made to the standing financial instructions and drew member's attention to the the new definition for a local authority employee.

The proposed changes are to facilitate the implementation of integrated working.

36.1.1 The Chair questioned whether the Audit & Risk Committee did cover all the matters raised in the section on external audit, particularly the annual appraisal of the performance of the external auditor. Mr Payne advised that historically the appraisal had been conducted through the questionnaire issued by Audit Scotland, however it was agreed this is not the same as the process described in the SFIs. Ms Goldsmith and Mr Payne agreed to examine what the SFIs require the committee to do and provide a report back.

AP/SG

36.1.2 The Committee reviewed the attached Standing Financial Instructions and advised that no further changes were required.

36.1.3 The Committee agreed to recommend that the Board approves the Standing Financial Instructions.

36.2 Review of the Scheme of Delegation – Mr Payne gave a brief overview of the report that brought the members up to date with the revisions of the scheme of delegation.

36.2.1 The Committee agreed to recommend to the Board that they adopt the revisions to the scheme of delegation and the new principle that the Director of Finance was authorised to approve any amendments to the scheme of delegation which may be required to keep it in line with the management structure.

AP

36.3 Update on Information Commissioner's Audit –.

36.3.1 The Committee agreed to accept the report as a moderate source of assurance that actions in the ICO action plan will be completed by the end of December whilst recognising that there was an action plan in place to address outstanding points.

36.3.2 The Committee noted that the Information Commissioner's office will return in December 2016 to review NHS Lothian's progress towards implementing its recommended actions.

36.4 Update on the Summary of Losses as at 31 October 2016 – The Committee agreed to take a significant level of assurance on the system of control within the credit control process and that the board were continually reviewing and evaluating changes to improve the internal credit control functions.

36.4.1 Professor McCallum made a general point that it is important for transparency and scrutiny that the Committee receives detailed information. However in the event that there is a request for information to be published, care should be taken to redact details so as to protect confidentiality where it is possible that the information would allow individuals or individual cases to be identified.

36.5 Write-Off of Overseas Debts –

36.5.1 Members noted that Lothian was currently best in class in respect of recovering payments from non-UK resident patients, but nevertheless there remains a high number of cases which have to be pursued through debt recovery processes..

36.5.2 The Committee reviewed the information on the proposed debts to be written off and confirmed that the Director of Finance may approach the Scottish Government Health Department for its approval to write-off the losses.

36.6 Audit Scotland – National Performance Reports – Members noted the report that provided assurance that management were aware of and reviewed relevant Audit Scotland reports.

36.6.1 The Committee accepted:

- The report as a source of significant assurance that Board members and management were aware of relevant Audit Scotland reports.
- The report as a moderate source of assurance that the organisation has had a systematic approach to consider relevant Audit Scotland Reports.
- The report as a source of significant assurance that the organisation has considered and had made use of the NHS in Scotland (October 2016) Report.

36.7 Alternative Committee Annual Reports to Inform the Review of the Governance Statement –Members discussed the proposal and whether it would meet requirements for the purpose of reviewing the governance statement.

36.7.1 The Committee generally welcomed the proposal and the Chair agreed to discuss the proposal with the Chairs of the other committees which were required to produce a report.

JMcD

37. **Any Other Competent Business**

37.1 There were no other items of business for consideration. The Committee agreed to meet in private with the external auditors after the meeting.

38. **Date of Next Meeting**

38.1 The next meeting of the Audit and Risk Committee would take place at **9.00** on **Monday 27 February 2017** in **Meeting Room 7, Second Floor, Waverley Gate.**

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 27 February 2017 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Ms J. McDowell (chair), Non-Executive Board Member; Mr M. Ash, Non-Executive Board Member; Cllr. D. Grant, Non-Executive Board Member; Ms C. Hirst, Non-Executive Board Member; and Mr P. Murray, Non-Executive Board Member.

In Attendance: Mr C Brown, Scott Moncrieff; Ms J Brown, Chief Internal Auditor; Ms M Cuthbert (Associate Director of Pharmacy)); Mr D Eardley, Scott Moncrieff; Miss S Gibbs (Deputising for Ms Bennett); Ms S Goldsmith, Director of Finance; Mr C. Marriott, Deputy Director of Finance; Professor A McMahon, Executive Director for Nursing, Midwifery and AHPs. Mr A. Payne, Corporate Governance Manager; Ms L Baird, Committee Administrator.

Apologies: there were no apologies for absence.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

Welcomes and Introductions

The Chair welcomed everyone to the meeting.

39. Minutes from the Previous Meeting (12 December 2016)

39.1 The minutes from the meeting held on 12 December 2016 were approved as a correct record.

40. Matters Arising

40.1 Matters arising from the Meeting of 12 December 2016 – The Committee accepted the update on the actions detailed within the Running Action Note.

40.2 The Chair advised that a meeting to follow up matters with the Chairs of the Integration Joint Boards (IJBs) Audit Committees had been scheduled for Monday 6 March 2017. .

41. Risk Management (assurance)

41.1 NHS Lothian Corporate Risk Register

41.1.1 Ms Gibbs updated on the Committee on the changes to the risk register as at quarter 3. She advised that the Patient Experience and General Practice Sustainability risks had been to Healthcare Governance Committee in January 2017 and both items would remain on their agenda. Work on delayed discharges, financial sustainability and achieving the 4 hour emergency target remained ongoing.

- 41.1.2 It was noted that the Nursing Workforce Safe Staffing levels risk had been reduced from high 16 to Medium 9 following various initiatives including a recruitment plan.
- 41.1.3 With regard to the risk on the financial challenge (risk ID:3600), Mr Murray highlighted that waste and variation should be explicitly considered as part of the efforts to mitigate the risk. He referred to the work of Don Berwick and suggested that the Board should increase its efforts in this area. Mrs Goldsmith advised that examining variation is a component of the Board's quality work. Mr Marriott advised that the organisation is looking at variation in clinical practice and there is also work in prescribing. He advised that the Scottish Government has recently introduced a benchmarking tool, DISCOVERY, which should assist with identifying variation and waste.
- 41.1.4 Mr Ash suggested that some work could be undertaken to assess the impact of the investment in the quality initiative. Members agreed that waste and variation was a key issue and should be highlighted and explored in light of the financial challenges that NHS Lothian was facing.
- 41.1.3.1 The Chair requested three actions in light of the discussions surrounding waste and variation:
- Ms Brown to consider the potential for internal audit to perform a review in 2017/18 on the quality programme, with a particular focus on variation and waste.. JBr
 - Ms Brown to review the 2017/18 internal audit plan in general, to identify opportunities for the issue of variation and waste to be considered as part of the delivery of the internal audit plan. JBr
- Mrs Goldsmith to review the actions/ controls in place for risk 3600, to determine if there is a specific line of enquiry or programme of action focussed on tackling waste. SG
- 41.1.4 Ms Hirst commented that it would be helpful if the ARC report on the Corporate Risk Register highlighted what had changed from the previous report. It would be helpful if there was a consistent approach to changes in the update column in the risk register itself, as well as any changes being highlighted in the covering report. . The Chair requested that Ms Gibbs take this matter forward with Ms Bennett. JBe
- 41.1.5 With regard to the risk on delayed discharges (Risk ID: 3726), Mr Murray highlighted that there was nothing within the actions to express the role of integration joint boards and whatever actions they are taking. The discussion highlighted that delayed discharges is being taken forward as a shared responsibility. The effect of integration is that the role of the NHS Board has changed, and the Board has different risks with regard to complying with IJB directions. The title of the risk (Achieving the delayed discharges targets of 2 weeks) is no longer appropriate. It was agreed that the delayed discharge risk should be reviewed, and also following the same principle, the risks relating to primary care should be examined.. JBe/AP
- 41.1.6 The Committee agreed to accept the significant assurance that the Corporate Risk Register contains all appropriate risks, which were contained in section 3.2 and set out in appendix 1 of the report.

41.1.7 The report invited the Committee to acknowledge that the governance committees of the Board had been asked to assess the level of assurance provided to the committee with the respect to put plans in place to mitigate the risks pertinent to each committee. Mr Payne advised that the governance committees were scrutinising performance however he was not in a position to confirm if they were all examining the relevant risks from the corporate risk register and agreeing a level of assurance on the same. He agreed to clarify what the committees have been asked to do.

AP

41.1.8 The Committee acknowledged the findings of the Internal Audit report on Risk Management which was concluded that the control objectives were adequate with no major weakness in the controls.

42. Internal Audit (assurance)

42.1 Internal Audit – Progress Report (February 2017)

42.1.1 Ms Brown noted that the progress of the Internal Audit plan had been delayed following a period of sickness absence however the member of staff concerned would return to work in March bring the team back to full capacity. She was confident that even with the delays the team would fulfil the requirements of the audit plan on schedule.

42.1.2 Mr Murray questioned whether Key Performance Indicator No 4 (Draft reports are issued within 15 working days of completing field work) was relevant and or achievable, given that the performance over the years had been consistently graded as red. Ms Brown advised that she considered that the KPI is an appropriate one, and that it is for internal audit to deliver that level of performance. Ms McDowell said that given the changeover in internal audit provider and the recent sickness absence within the small team, it was reasonable to give the team a bit more time to improve the performance. It was agreed that the KPI should continue to be used for the next 6 months, and if no improvement was shown, then the Committee will revisit the matter.

JBr

42.1.3 Ms Hirst asked whether the KPIs could have more focus on quality, rather than just time-measured processes. Ms Brown advised that the current audit feedback form does have some qualitative aspects, and that she would examine this to see if they can inform the development of a KPI on quality.

JBr

42.1.4 Mr Brown explained that the external auditors carry out a review of internal audit so that they may place reliance on specific pieces of internal audit work. The external auditors will not wholly rely on the work of internal audit and may undertake further audit work themselves. The external audit process cannot be taken as a source of assurance of the overall quality of the internal audit function and their work.

42.1.5 The Committee accepted the progress report.

42.2 Internal Audit – Reports with Green Ratings – Risk Management; Treasury and Cash Management; Patient Records (February 2017) – The Committee accepted the report.

42.3 Healthcare Governance – Prison Services (September 2016) – Ms Brown advised that the audit looked at the arrangements in place for healthcare governance, roles, responsibilities, reporting frameworks and governance oversight for prison healthcare. In addition a review of the revised prisons complaint and process was carried out to deem whether current arrangements were operating effectively. All but one of the control objectives were given a GREEN rating, the exception being the one relating to the complaints feedback aspect which was rated AMBER.

42.3.1 Professor McMahon highlighted ongoing work with Ms Morrison and Ms McKinley. He advised that NHS Lothian consistently achieved 90% against the 21 day target however further work in respect of the 3 day target and early resolution was required. He also advised that the new model complaints handling procedure would not come into effect until 1 April 2017.

42.3.2 The Chair highlighted that the implementation date for some of the actions had already passed and asked if the actions had been completed. Professor McMahon advised that the dates look incorrect and that he would review them with Ms Brown.

AMcC/ JBr

42.3.4 The Committee accepted the report.

42.4 Follow-up of Management Actions Report (February 2017) – Professor McMahon provided an update on the outstanding RED action from the audit on bank & agency staffing. He advised that t he and the Medical Director are seeking to tighten the controls relating to the use of Medical Locums. .

42.4.1 Members noted it was not clear from the report when Internal Audit had received the last update from management on specific points. Ms Brown advised the Committee that internal audit automatically email management when an agreed implementation date passes. She assured the Committee that there has been an improvement in the engagement by management in the follow-up process. She explained that in many cases what internal audit are looking for is evidence of completion, and the internal audit team has started to provide more information to management to explain what they are looking for. Ms Brown agreed that the follow-up report could be more explicit as to the dates when updates were provided and that this will be addressed for the next version of the report.

JBr

42.4.2 The Committee accepted the report.

42.5 Internal Audit Plan 2017/18 – Ms Brown advised that the only changes to the plan were those discussed at the December meeting.

42.5.1 The Committee agreed to approve the Internal Audit Plan 2017/18 subject to the inclusion of waste and variance in the scope of the plan and the correction of the typographical errors identified in respect of the 15 day KPI.

JBr

Mr Davison entered the meeting

42.6 Referral of Internal Audit Reports to the IJB Audit and Risk Committees – Members noted the report would be a standing item on future agendas however the onus of identifying audit reports to be referred to the IJB Audit Committees would lie with management rather than the Chair and or Members of the Audit and Risk Committee. The Chair requested that Mr Payne amend the recommendations within this and future reports accordingly.

AP

It was also agreed that there should be an indication on the face of internal audit reports whether the report is relevant to integration joint boards.

JBr

43. Counter Fraud (Assurance)

43.1 Counter Fraud Activity – the Committee accepted the report as a briefing on the current status of counter fraud activity.

43.1.1 The Committee agreed that the report provides a significant level of assurance that all cases of suspected fraud were accounted for and an appropriate action had been taken.

44. External Audit (Assurance)

44.1 The Audit and Risk Committee's Responsibilities for External Audit (Standing financial Instructions) – Mr Payne gave a brief overview of the report and sought the Committee's views on the appraisal process for the external auditors and whether a policy for the provision of non-audit services was required.

44.1.1 Members agreed that a policy on the provision of non-audit services was required, and the addition of a paragraph in the SFIs would suffice. It was agreed that Mr Payne would develop a proposal for the next meeting.

AP

44.1.2 The Committee accepted that the report as a source of significant assurance that there were arrangements in place for the Committee to discharge its role as described in the Standing Financial Instructions, with the exception of the points relating to the appraisal of the external auditor and the provision of non-audit services.

44.1.3 The Committee accepted the report as an update that the issue of appraisal was currently being investigated and a further update will be provided.

AP

44.2 External Audit Plan 2016/17 - Mr Brown gave a brief overview of the report that provided an update on the developments since December 2016. He advised that the four areas risks were:

- The timetable for the completion of accounts, recognising that there are four integration joint boards with separate accounting regimes and timescales.
- PFI /PPP schemes
- Standard audit matters such as risks relating to revenue recognition and management override.
- Financial sustainability.

- 44.2.1 Mr Brown advised that he was still to discuss the issues of materiality and the audit fees with the Director of Finance.

Mr Murray asked if the PFI/PPP arrangements will have an impact on the ability of the Board to move services out of hospitals. Mrs Goldsmith advised that this is an issue that management are looking at.

Ms Goldsmith advised that her initial view is that the proposed fee within the plan was reasonable..

- 44.2.2 With regard to materiality Ms Goldsmith reported that it was reasonable for the External Auditors to report on adjustments over £230k made to the annual accounts. Members supported the decision following advice from the Director of Finance.
- 44.2.3 The Committee agreed to delegate authority to the Director of Finance to agree the final fee with the external auditors.
- 44.2.5 The Committee accepted the report.

SG

Ms Goldsmith left the meeting.

45. General Corporate Governance (assurance)

- 45.1 Litigation Annual Report 2015/16 – Ms Gibbs gave a brief overview of the report drawing the Committees attention to the changes to the administration process, new pre-action protocols for clinical and non-clinical claims. She highlighted that the level of non-clinical claims had returned to normal after the spike in 2014/15.
- 45.1.1 The Committee accepted the report provided a significant level of assurance on the processes in place to manage litigation in NHS Lothian.
- 45.1.2 The Committee noted the annual update on litigation activity in terms of numbers, financial impact and recurring themes.
- 45.1.3 Members noted the programme in place to reduce the likelihood of adverse events taking place that may result in settles claims.

46. Internal Audit – Organisation Culture – Follow-Up of PwC and Bowels Report Action Plans (January 2017)

- 46.1 Ms Brown introduced the report highlighting that all 20 actions from the PwC recommendations had been completed and 29 out of 31 actions from the Bowles report had been completed. She advised that there had been a significant improvement in the culture of NHS Lothian. The continuing actions are by their nature “ongoing”, and internal audit had found no evidence to suggest that the previously reported oppressive management/ leadership style referred to in both reviews was still in place.
- 46.2 It was unclear whether the Staff Governance Committee had received and considered this report. The Committee agreed this should be checked as it would welcome the views of the Staff Governance Committee. .

AP

- 46.3 The Chair requested clarity on which Non-Executive Members had been appointed as champions. Mr Davison advised that they were in the midst of reviewing this. He did highlight as an example that Alison Mitchell is the whistleblowing champion, and there are tiered arrangements to support whistleblowing with the Chief Executive, Director of Nursing and the Medical Director available to discuss matters of concern. Mr Davison advised that corporate objectives will be re-introduced for 2017/18.
- 46.4 Ms McDowell highlighted that it was disappointing that only 2 % of staff received an exit interview. Mr Davison agreed that this was something that has to be promoted.
- 46.5 Mr Davison reflected on his 5 years as the Chief Executive of NHS Lothian, and recognised the power of the Chief Executive to influence the culture through exemplar behaviour. There has been a shift from an aim to be one of the e Top 25 healthcare providers in the world , towards an approach drawing on the NHS Scotland 2020 Vision, the Triple Aim mission, and NHS Lothian values . He explained that the organisation is focussed on continuous quality improvement, and “developing” the culture rather than trying to “change” it.
- 46.6 Mr Davison explained that iMatter is a key tool, and consequently there is perhaps limited value in continuing with 360 degree reviews for the Chief Executive and the Corporate Management Team.
- 46.7 Mr Murray said that it was right to acknowledge that there has been an improvement in culture, and agreed that the uptake of exit interviews needs to be improved. He enquired whether Investors in People is still relevant. Mr Davison agreed that it is worth re-assessing whether to continue with Investors in People as accreditation does come at a cost, and there are other arrangements in place.
- 46.8 Ms Hirst commented that positive developments in culture when the issues of communication and how to address conflicts are addressed. Mr Davison explained that the key challenges are in the acute sector where pressure is greater. The system is under more pressure than before but nevertheless the culture seems to be getting better. More work can be done to have greater assurance that the desired model behaviours are in place at every level of the organisation.
- 46.7 The Committee accepted the report.

47. Any Other Competent Business

- 47.1 There were no other items of business for consideration. .

48. Date of Next Meeting

- 48.1 The next meeting of the Audit and Risk Committee would take place at **9.00** on **Monday 24 April 2017** in **Meeting Room 7, Second Floor, Waverley Gate**.

NHS Lothian

Audit & Risk Committee

Minutes of the Audit & Risk Committee Meeting held at 9.00 am on Monday, 24 April 2017 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Ms J. McDowell (Chair), Non-Executive Board Member; Mr M. Ash, Non-Executive Board Member; Ms C. Hirst, Non-Executive Board Member; and Mr P. Murray, Non-Executive Board Member.

In Attendance: Ms J Bennett, Associate Director for Quality Improvement & Safety; Mr C Brown, Scott Moncrieff; Ms J Brown, Chief Internal Auditor; Mr J Crombie, Deputy Chief Executive; Mr D Eardley, Scott Moncrieff; Ms S Goldsmith, Director of Finance; Mr B Houston, Chairman; Ms D Howard, Head of Financial Services; Mr C. Marriott, Deputy Director of Finance; Professor A McCallum, Director of Public Health and Health Policy; Professor A McMahon, Executive Director for Nursing, Midwifery and AHPs. Mr J Old, Financial Controller; Mr A. Payne, Corporate Governance Manager; and Ms L Baird, Committee Administrator.

Apologies: Cllr. D Grant.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

Welcomes and Introductions

The Chair welcomed everyone to the meeting.

1. Minutes from the Previous Meeting (27 February 2017)

1.1 The minutes from the meeting held on 27 February 2017 were approved as a correct record.

2. Matters Arising

2.1 Matters arising from the Meeting of 27 February 2017 – The Committee accepted the update on the actions detailed within the Running Action Note.

3. Risk Management (assurance)

3.1 NHS Lothian Corporate Risk Register

3.1.1 Mr Murray expressed disappointment that the issues raised surrounding variation and waste from the February 2017 meeting had not been incorporated into the corporate risk register. He acknowledged that though there was some narrative in the action note it would have been beneficial to see the impact on the risk register.

3.1.2 Members discussed in detail the decoupling of the financial priorities with the content of the risk register, and the need for the Board to purposely make decisions on how to deploy its resources in response to its most significant

risks. The risk register should be able to highlight what the Board is doing in response to the risks, and be a source of assurance that resources are being used appropriately. At the moment the members are finding it difficult to draw this information from the current report. Members acknowledged that many of the Board's financial priorities were driven by Scottish Government directives and therefore out with the control of the Board, however there was agreement that there should be a mechanism that allows the Board to use the information in the corporate risk register to affect change when risks become stagnant.

- 3.1.3 Mrs Goldsmith advised the Committee that the Board has had an explicit debate with respect to the use of resources and waiting times, but acknowledged that this has not necessarily been the case for other risks.
- 3.1.4 Ms Bennett advised the Committee that it was the first instance that the corporate risk register report reflected the levels of assurance that the other committees have taken with respect to the actions in place to mitigate the risks under their remit. She advised that this process had just started, and generally the committees are agreeing with the rating given to risks, but are less assured as to the plans that are in place to mitigate the risks.
- 3.1.5 The Committee agreed that it should ask the Finance and Resources Committee to look at the issues, and to design a process where that Committee properly considers the corporate risk register so that there is greater assurance that the Board is making the best use of its resources .
- 3.1.6 Mr Houston advised that he would lead a parallel holistic review of the system of governance, including addressing the issue of risks reported at committee level remaining static..

JMcD

4. Internal Audit (assurance)

4.1 Internal Audit – Progress Report (April 2017)

4.1.2 Mr Murray thanked Ms Brown for achieving Key Performance Indicator No 4 (Draft reports are issued within 15 working days of completing field work) since the last committee meeting, detailed on page 6 of the report.

4.1.3 The Committee accepted the progress report.

4.2 Internal Audit – Reports with Green Ratings – Risk Management; Treasury and Cash Management; Patient Records (April 2017) – The Committee accepted the report.

4.3 Payroll (February 2017) – Members received assurance that the management actions due on 31 March 2017 were complete. Ms Howard advised that though the report stated there were no local procedures in place, the payroll department adhered to national procedures and systems, and anticipated that procedures could be easily captured or adapted from neighbouring boards. Once complete the procedure would be reviewed on

a three yearly basis but as not to delay or inhibit the progress any amendments to the procedure would be made as and when required.

4.3.1 The Committee accepted the report.

4.4 Anti-Ligature Arrangements at REH Phase 1 – Ms Brown advised that in a response to a request from the Interim Chief Executive the Internal Audit Team had undertaken a specific review of anti-ligature decisions at the REH Phase 1.

The original anti-ligature specification at the start of the project was not the final specification due to changes driven by anti-ligature needs, which in turn increased the cost significantly. The review was commissioned to determine what lessons can be learned from this. Ms Brown highlighted that there were opportunities to review the current anti-ligature policy, and that the report is likely to have some of the control objectives rated as AMBER. Ms Brown advised that the draft report is currently with management for their response and would be presented at the June committee meeting.

4.5 Whistleblowing incident – Ms Brown gave a verbal update on the progress of an investigation following a recent whistleblowing allegation regarding a contractor. The whistleblower questioned the contractors qualifications to carry out the duties, recording of gifts and hospitality received, and the tendering process the contract was awarded. Internal Audit had looked at the spend over 12 months however the evidence collated did not prove or disprove the allegations made. It was anticipated that procurement would move to retender the contract in the near future and the final report will come to the June Committee.

4.6 Follow-up of Management Actions Report (April 2017) – Ms Brown gave a brief overview of the report noting that she had nothing new to add to the report.

4.6.1 In response to Mr Murray comments of the 50/50 amber and green rating for business continuity Professor McCallum refer to the extensive work required to sign off resilience plans for each site within NHS Lothian. She assured the committee that progress was in place but it would take time given the complexity of the task and that only two people are supporting the process. She advised the committee that the Resilience Committee had been assured that an adequate process is in place.

4.6.2 Professor McMahan provided a verbal update on the outstanding management actions relating to the prison services audit. He highlighted that there is a Quality Improvement Team in place, and minutes of the Senior Management Team are being appropriately circulated. Additionally management are now resolving 80% of all complaints through local resolution.

4.6.3 The Committee accepted the report.

4.7. Principles to Underpin the Working Relationship Between the NHS Lothian ARC and the IJB ARCs – Mr Payne gave a brief over of the development of the principles and what was required of the Committee.

4.7.1 In response to Ms Hirst's query Mr Payne confirmed that East Lothian IJB was represented and engaged within the process.

4.7.2 Ms Brown provided assurance to the Committee that quarterly meetings with the Chief Internal Auditors for each IJB and NHS Lothian were frequent, highlighting that future meetings would focus on plans to align internal audit plans to the risk registers.

4.7.3 The Committee agreed the principles and their dissemination to the Integration Joint Boards' Audit and Risk Committees for agreement.

AP

4.8 Edinburgh Integration Joint Board (IJB) Internal Audit Report Performance Management (March 2017) –.

4.8.1 Mr Payne explained that this report had been referred to the Committee by the Edinburgh IJB Audit & Risk Committee in line with the above principles. It was the first time that such a report had been received. He explained that the report had already been sent to and considered by the Risk Management Steering Group, and the Committee was asked to consider what it wishes to do with these reports.

4.8.2 After discussion the Committee agreed the following process for future referred IJB internal audit reports:

- The secretary to the Audit & Risk Committee shall routinely send the reports to the Risk Management Steering Group. The Risk Management Steering Group will review the reports and assure itself that any reported actions/ risks are being appropriately addressed, and to determine what if anything should be done with it.
- The Risk Management Steering Group shall routinely provide the Audit & Risk Committee with a short report summarising what IJB reports it has received and a brief summary of any pertinent points.
- The Audit & Risk Committee will not normally receive the IJB audit reports, and will only do so at the recommendation of Risk Management Steering Group.

AP

5. Counter Fraud (Assurance)

5.1 Counter Fraud Activity – the Committee accepted the report as a briefing on the current status of counter fraud activity.

5.1.1 The Committee agreed that the report provides a significant level of assurance that all cases of suspected fraud were accounted for an appropriate action had been taken.

5.2 NHS Lothian: Patient Exemption Checking and Potential Fraud 2016 – Ms Goldsmith introduced the report. .

- 5.2.1 The Committee agreed to accept that report as a source of assurance of significant assurance that;
- The estimated levels of fraud/error with patient exemption charges in Lothian remain consistent with national positions. Lothian was 13% of the total.
 - Lothian's (and Scotland's) overall estimated fraud/error had dropped from the previous year.
 - Work continued to review efficiency of patient exemption checking processes.

6. External Audit (Assurance)

- 6.1 Interim Audit Report for the year ended 31 March 2017 – Mr Eardley took the Committee through the key points outlined within the report and highlighted that from the evidence provided there was a good basis to support the approval of the annual accounts in June 2017.
- 6.2 The Committee accepted the report.

7. General Corporate Governance (assurance)

- 7.1 NHS Lothian Information Commissioner's Office Audit Update – Professor McCallum advised that a small team strived to achieve compliance to standards that had emerged from England during the Information Commissioner's Office Audit visit. An enormous feat had been achieved in a very challenging time and as a result a repeat visit from the ICO was avoided. Actions to make the necessary improvement remained ongoing.
- 7.1.1 The Committee noted the significant progress in completing the actions identified within the follow-up audit report and progress had resulted in the ICO confirming there was no requirement to return to physically audit NHS Lothian.
- 7.1.2 The Committee noted the ongoing monitoring by the Information governance Assurance Board and the Healthcare Governance Committee.
- 7.2 Accounting Policies – The Committee reviewed and approved the accounting policies, confirming that they were appropriate for the Board at the present time for the purpose of giving a true and fair view.
- 7.3 Proposed Policy for the Provision of Non-Audit Services by the External Auditor – The Committee reviewed the proposed amendments to the standing financial instructions and agreed that the amendments be recommended to the Board
- 7.4 Write-off of Overseas Debts – Members noted that due to the identifiable information detailed within the report it should be marked as restricted/confidential.

AP.

7.4.1 The Committee reviewed appendices 1 and 2 and confirmed that the Director of Finance may approach the SGHSCD for its approval to write off the losses.

7.5 Results from the Members' Survey – The Chair advised that this item would be discussed in a private session of the Committee Members.

8. Any Other Competent Business

8.1 Chair of Audit and Risk Committee – Ms McDowell noted that it was her last meeting as Chair of the Audit and Risk Committee and proceeded to express thanks and best wishes for the future to those who had supported her during her term. In return the Chairman expressed his thanks for the support and hard work of Ms McDowell. He also advised that he would make a decision with regard to Ms McDowell's successor within 48 hours .

9. Date of Next Meeting

9.1 The next meeting of the Audit and Risk Committee would take place at **9.00** on **Monday 19 June 2017** in **Meeting Room 7, Second Floor, Waverley Gate**.

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday, 19 June 2017 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr M Ash (Chair), Non-Executive Board Member; Ms C. Hirst, Non-Executive Board Member; and Mr P. Murray, Non-Executive Board Member.

In Attendance: Ms J. Bennett, Associate Director for Quality Improvement and Safety; Mr C Brown, Scott Moncrieff; Ms J Brown, Chief Internal Auditor; Mr J Crombie, Deputy Chief Executive; Mr D Eardley, Scott Moncrieff; Ms S. Goldsmith, Director of Finance; Ms D. Howard, Head of Financial Services; Ms R Kelly (for item 6.4); Professor A McCallum, Director of Public Health and Health Policy; Professor A McMahon, Executive Director for Nursing, Mr C. Marriott, Deputy Director of Finance; Mr J. Old, Financial Controller; Mr A. Payne, Corporate Governance Manager; Ms L. Baird, Committee Administrator; Mr M Lavender, Scott Moncrieff; Mr P Clark, Internal Auditor; Ms S Knight, Management Trainee; Ms E Clemente, Management Trainee and Mr O Campbell, Business Manager.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

10. Staff Governance Committee Annual Report 2016/17

- 10.1 Ms Kelly drew the Committee's attention to the key areas within the Staff Governance Committee's Annual Report 2016/17. She highlighted the review of the Committee effectiveness and revisions to its terms of reference and remit. Ms Kelly explained that the Staff Governance Committee is putting more emphasis on scrutiny, and that its assurance needs are now expressed in terms of Everyone Matters rather than the Staff Governance Standard. She highlighted that the Committee did not identify anything to be included in the Governance Statement. She also advised that the new format of the committee annual report was helpful.
- 10.2 Members noted the limited assurance assigned to violence and aggression. Ms Kelly advised that work with violence and aggression training at ward level remained ongoing. Future initiatives included providing training within wards to address the issue of staff being available to attend training. She advised that fire training was another area of focus.
- 10.3 The Committee agreed to accept the report as a source of assurance to support the Governance Statement.

Ms Kelly left the Meeting.

11. Internal Audit (Assurance)

11.1 Internal audit Progress Report (June 2017) – Ms Brown gave an overview of the report. She highlighted a revision to the timeframe for the review of planning following a duplication of audits in the 2016/17 and 2017/18 audit plans. The planned audit on Corporate Governance had been removed from the plan and re-scoped. Ms Brown explained that this audit will be replaced with an advisory exercise where the internal auditors shall prepare an integration assurance map from the perspective of the Board.

11.1.1 Long term Staff illness continues to affect the capacity of the internal audit team. Ms Brown advised that she would explore the use of a modern apprentice to build resilience within the team and she is discussing this further with the Director of Finance.

11.1.2 Mr Ash asked if all the reds in the Internal Audit KPIs were attributable to sickness absence. Ms Brown explained that absence was a contributing factor, however there were still opportunities to improve the team's working practices.

11.2.3 The Chair stressed that it was important that management responses were provided in a timely manner, and Mr Crombie agreed to highlight this point with the management team. JC

11.1.4 The Committee agreed to accept the progress report and refer the following reports to the IJB audit & risk committees for their information:

- Sample testing of ABPI Data and compliance with NHS Lothian policies
- Budget Management & Financial Recovery Plan Monitoring

11.2 Whistle-Blowing Allegation into Contractor A (April 2017) – The audit following a whistle blowing allegations against contractor A. Ms Brown advised that the review of evidence in this exercise led to the conclusion that internal audit were unable to confirm whether or not fraud had taken place. The Committee was advised that the relationship with the supplier had been set up under old arrangements, however a new tender exercise has been launched for the supply.

11.2.1 The Committee agreed to accept the report.

11.3 Royal Edinburgh Hospital – Change in Specification Anti-Ligature – the audit had presented 4 significant issues. In response management would revise the policy bringing it in line with new guidance and consider the requirements for each patient grouping.

11.3.1 There were concerns that a number of NHS Lothian policies including the anti-ligature policy had been written to fulfil a requirement rather than there being sufficient regard to the practicalities of implementation. Mr Payne advised the Committee that he had met with the managers taking forward this work, and informed them of the new Procedure on Developing Policies which aims to address this point.

- 11.3.2 Prof. McMahon highlighted the need for clinical advice to inform such projects. Mr Ash highlighted that the project team also need to keep abreast of changes to relevant regulations.
- 11.3.3 The Committee agreed to accept the report subject to minor contextual changes to ensure that the background narrative of the audit was clear. Mr Ash confirmed that he would be happy to approve any minor changes to address this point. **JBr**
- 11.4 Sample Testing of ABPI Data and Compliance with NHS Lothian Policies (June 2017) – the report to make the Board aware of the receipt of payments from pharmaceutical companies was noted. Ms Brown highlighted that the work did not identify any evidence that the payments had inappropriately influenced prescribing or procurement practices. However the audit did highlight the need to take action to improve awareness and application of the Board’s business conduct processes.
- 11.4.1 Mr Ash queried why a recommendation to introduce a standard form had not been accepted by management. Mr Payne explained that there will be a programme of work to take forward the implementation of business conduct, and this matter can be revisited if there is evidence that it would be beneficial.
- 11.4.3 The Committee agreed to accept the report.
- 11.5 Internal Audit Annual Report and Opinion 2016/17 (June 2017) – Ms Brown gave a brief overview of the report and work carried out by the internal Audit team in 2016/17. Overall Internal audit’s work had indicated that NHS Lothian had a framework of controls that provides reasonable assurance.
- 11.5.1 The note against the flow of information and reports planned with the Integration Joint Boards (IJBs) had raised some debate, however the NHS Lothian view is that in the first instance the report should come to the NHS Lothian Audit and Risk Committee as it is prepared by the NHS Lothian Chief Internal Auditor and part of the NHS Lothian internal audit plan, and thereafter referred to the IJBs Audit and Risk Committees. Further discussion on this matter would take place at the next meeting of the Audit and Risk Chairs Group on 2 October 2017.
- 11.5.2 Mr Ash highlighted that most of the opinions were graded GREEN and this is a positive message. He thanked Ms Brown and the internal audit team for their work.
- 11.5.3 The Committee agreed to accept the report.
- 11.6 Reports with Green Ratings (June 2017) – the Committee accepted the Internal Audit Report on Reports with Green Ratings (June 2017).
- 11.7 Budget Management & Financial Recovery Plan Monitoring (June 2017) – the report covered three control objectives (two rated GREEN, one AMBER). The audit identified that there were opportunities to improve the system for measuring and monitoring the delivery of savings identified in financial recovery plans.
- 11.7.1 Mr Murray commented that if there is a point where the delivery of further efficiency savings are not possible, then this should be recognised. Mrs

Goldsmith advised that two years ago the approach was revised, in that budgets were not automatically adjusted to reflect target savings. It was recognised that managers had to manage the service and use their whole budget to do so, and were asked to find savings within that budget. It was important to capture the resource implications of all key issues and decisions, rather than focus on efficiency savings in isolation. However the team is taking a fresh look at the issue of efficiency.

11.7.2 Mr Marriott advised that horizon scanning shows that future funding will not match projected growth in expenditure. Work is currently underway to test the trajectories.

11.7.3 The Committee agreed that the Finance & Resources Committee was best placed to consider this issue, and Mr Ash agreed to raise this with the Chair of the Finance & Resources Committee. MA

11.7.4 The Committee noted that one of the actions had a target deadline of “ongoing”, and agreed that this was not helpful. It is always possible to put a date to review the progress of an action. The Committee requested that for all future reports there is a definitive date for implementation. JBr

11.7.4 The Committee agreed to accept the report.

11.8 Follow-Up of Management Actions Report (June 2017) – since the previous report of April 2017 there had been 46 open actions brought forward, 9 new actions added to the tracker of the 54 actions, 17 had been closed. As at June 2017 38 actions were carried forward. Professor McCallum explained that the outstanding actions relating to business continuity planning were caused by timing issues. There was a difference between management carrying out the actions, and internal audit signing off the evidence of completion.

Mr Campbell entered the meeting.

11.8.1 The Committee agreed to accept the report and recognised the work carried out by Professor McMahon and his team to address the actions from the bank & agency audit.

12. Minutes and Actions from the Previous Meeting (24 April 2017)

12.1 The minutes and action note from the meeting held on 24 April 2017 were approved as a correct record.

13. Matters Arising

13.1 Matters arising from the Meeting of 24 April 2017 – The Committee accepted the update on the actions detailed within the Running Action Note. Mr Ash advised that he and Mr Murray shall meet with Jo Bennett to discuss reporting of performance against the Board’s risk appetite and tolerances.

14. Risk Management (assurance)

14.1 NHS Lothian Corporate Risk Register

14.1.1 Ms Bennett highlighted that the risks of Delayed Discharges and GP sustainability had been reviewed. There also has been work relating to the IJBs systems of risk

management. The title of the delayed discharges risk has been changed to “Timely discharge of inpatients”, and the controls now recognise the measures that the IJBs have in place.

- 14.1.2 The Healthcare Governance Committee has agreed limited assurance for both of these risks in terms of whether there are adequate plans in place to reduce these risks. The Committee shall be receiving further reports in July.

The Risk Management Steering Group reviewed the risk on achievement of national waiting times targets. This includes:-

- A change of name from Achievement of National Waiting Times to Access to Treatment (organisational risk), as it is more illustrative of the risk
- Strengthening of controls within the context of current performance
- The increase of this risk from High 16 to Very High 20 given the current performance.

The RMSG is recommending that an additional risk is added to the Corporate Risk Register which is a patient-focussed risk with respect to access to treatment rather than the organisational risk set out above. This risk is described as:-

Description

There is a risk that patients will wait longer than described in the relevant national standard due to demand exceeding capacity for in-patient/day case and outpatient services within specific specialties.

Clinical risk is identified in two dimensions:

- 1) the probability that due to length of wait the patient’s condition deteriorates;
- 2) the probability that due to the length of wait significant diagnosis is delayed.

Ms Bennett advised that the Acute Hospitals Committee shall oversee this new risk.

- 14.1.3 Ms Bennett confirmed that all governance committees have reviewed the corporate risks under their remit and were pursuing the necessary actions. Mr Payne agreed to cross check the assurance levels stated in the corporate risk register to the assurances provided in the committee annual reports. **AP**
- 14.1.4 The Committee raised some queries on the detail of some risk entries. Mrs Goldsmith agreed to factor in regionalisation into the update of risk 3600 (“finance”). Ms Bennett advised that the issue of avoiding admissions is reflected in the narrative relating to delayed discharges
- 14.1.5 Members agreed it was important to share learning across both primary and secondary care sectors. Ms Hirst highlighted that it was important that the connection between the work of different committees was reflected and understood. She also highlighted that it was difficult to understand how the Board’s risks compared to the national picture. While it was acknowledged that the NHS Chief Executives do take things forwarded nationally, and increasingly regionally, Ms Hirst did not think that the Board’s corporate risk register was picking up that context. Mr Crombie and Professor McMahon agreed to consider this issue further. **JC/
AMcM**

- 14.1.6 Mr Ash invited Ms Bennett to undertake some work to compare the NHS Lothian risk register with that of other Boards. . **JB**
- 14.1.7 Mr Ash asked highlighted that the risk tolerance measure for delayed discharges was set at 14 days, and the report noted “There is now a national target for Delayed Discharges with patients waiting no more than 72 hours to be discharged. The above Delayed Discharge targets will be replaced with the 72 hour target once they have been met.” He asked if this was appropriate. Ms Bennett highlighted that the Board wasn’t achieving 14 days, and there was little value in re-setting the tolerance to 72 hours until it had. The Scottish Government is working towards 72 hours. Mr Crombie supported this position, as altering the measure could make the actual performance less clear.
- 14.1.8 The Committee noted that the June Board was being asked to accept the new access to treatment patient risk on the corporate risk register. The Committee accepted significant assurance that the corporate risk register contains all appropriate risks. The Committee also agreed that as part of a system of control, the governance committees of the Board had confirmed that they were assessing the levels of assurance provided with respect to plans in place to mitigate the risks pertinent to them.
- 14.2 Risk Management Annual Report 2016/17 – The Committee reviewed the summary of actions for 2016/17 and the priorities and aspirations for the coming year. Focus for the coming year would address feedback, learning and a review of the controls in place.
- 14.2.1 The Annual Report set out the process for identifying risk and improvement. The Committee accepted the report subject to including a timescale for the review of the risk register as referred to on page 4. **JBen**

15. General Corporate Governance (Assurance)

- 15.1 Introduction to the Committee Annual reports – Mr Payne introduced the 2016/17 revised annual report format and the Committee accepted the briefing detailed therein.
- 15.2 2016/17 Annual Report from the Healthcare Governance Committee - The Healthcare Governance Committee welcomed the revised annual report template. Ms Bennett highlighted that the Committee had been using assurance needs for a number of years, but did find the introduction of standard assurance levels very helpful. The report highlighted the issues of GP sustainability and delayed discharges. Ms Bennett advised she would provide an updated and summarised version of this report after the meeting. **JBen**
- 15.3 2016/17 Annual Report from the Finance and Resources Committee - Ms Goldsmith gave a brief overview of the report. She advised that the template was helpful, and did require a reflection on the business of the committee in relation to its terms of reference. She drew attention to two key issues; Financial sustainability and the approval of initial agreements for the eye pavilion and bridging project for the Cancer Centre in the absence of addition government funding.

- 15.3.1 The Committee agreed to accept the 2016/17 Annual report from the Finance and Resources Committee as a source of assurance to support the Governance Statement.
- 15.4 Information Governance Assurance Board Annual Report 2016/17 – the Committee noted the report and the actions carried out over the 2016/17 period detailed therein.
- 15.4.1 The Committee agreed to accept the report as a source of assurance to support the Governance Statement.
- 15.5 Acute Hospitals Committee Annual Report 2016/17 – Mr Campbell introduced the report. He advised that the template was helpful. The Acute Hospitals Committee acknowledges that further work is required on its assurance needs, and a workshop will be held to take this forward. That work will lead to the development of a medium term workplan for the Acute Hospitals Committee, taking into account its role in the oversight of performance management.
- 15.5.1 The Committee recognised the role that IJBs have on the functions and services which the Acute Hospitals Committee oversees, and the need for IJBs and the Acute Hospitals Committee to have effective working relationships. The Committee agreed that it is desirable to avoid duplicating governance activity, and agreed that the Acute Hospitals Committee should be asked to report back on how it intends to achieve this, and provide the required assurance to IJBs. **MA**
- 15.5.2 Members discussed information flow between primary and secondary care and how this would be made common practice. Mr Crombie advised that currently this is considered for specific services, however a major element of the eHealth strategy is to removed duplication. Prof. McCallum advised that the Information Governance Assurance Board is considering issues in this area.
- 15.5.3 The Committee agreed to accept the report as a source of assurance to support the Governance Statement.

Mr Campbell Left the meeting.

- 15.6 National Services Scotland Service Audit Reports 2016/17
- 15.6.1 No material issues had been raised therefore the Committee agreed to accept the reports from the service auditors as a source of significant assurance with respect to the systems of internal control relating to the National Single Instance financial ledger, practitioner services and the National IT Services contract.
- 15.7 Write-off of Research and Development 2016/17
- 15.7.1 Ms Howard advised the committee of the circumstances of the loss. NHS Lothian entered into a contract with a third party to carry out research & development, however the third party went into liquidation. NHS Lothian has filed a claim with the liquidator.
- 15.7.2 Ms Howard advised the Committee that a meeting has been arranged with the research & development management team to examine the processes for pre-contractual checks, as well as other matters relating to debt recovery.

15.7.3 Mr Ash highlighted that while recognising the issue is being examined, as a matter of general principle he would like greater assurance that the lessons from this are actually learned, and that colleagues in the relevant departments will do what they are required to do to avoid a recurrence. Mrs Goldsmith agreed to communicate this message to the Corporate Management Team. **SG**

The Committee confirmed that the Director of Finance may approach the SGHSCD for approval to write-off the debt.

15.8 Schedule of Losses – SFR 18.0

15.8.1 The Committee agreed to take a significant level of assurance on the internal losses controls and that the Board were continually reviewing and evaluating changes to improve the effective systems for internal financial controls.

15.8.2 Professor McMahon noted the high losses associated with Pharmacy stock and suggested that this is something that should be examined by the management team. **TG**

15.8.3 The Chair advised Ms Howard that for future reports, the percentage change column need not be provided, and Ms Howard agreed to remove it. **DH**

15.9 Edinburgh and Lothian's Health Foundation Annual Report and Accounts 2016/17

15.9.1 The Committee:

- Noted that the International Accounting Standard (IAS) 27 requires the consolidation of the Foundation Accounts into NHS Lothian financial statements and therefore the scrutiny of Audit Risk Committee of NHS Lothian.
- Noted that Trustee's Report and Financial Statements were reviewed and recommended for approval by Trustees by the Charitable Funds Committee (CFC) on 7 June 2017.
- Noted that the auditors (Scott Moncrieff) have no proposed financial adjustments to the Foundation Accounts and that these are unqualified.
- Noted that the Foundations' statutory accounts will be presented to Trustees on 21 June 2017 for approval.

15.10 Patients Private Funds Annual Accounts 2016/17

15.10.1 The Committee agreed to:

- Accept the management letter from Scott-Moncrieff as a source of significant assurance in relation to the draft annual accounts and the underlying systems of internal control.
- Recommend to the Board that the Chairman and Chief Executive sign the "Statement of Lothian NHS Board Members' Responsibilities" on the Board's behalf.
- Recommend to the Board that following the Board's consideration, the Director of Finance and the Chief Executive sign the "Abstract of receipts and Payments" (SFR19.0).

- Recommend to the Board that the Board approve the draft Patients' Private Funds accounts for the year ended 31 March 2017.

16. Counter Fraud (assurance)

16.1 Counter Fraud Activity

16.1.1 The Committee accepted the report as a briefing on the current status of counter fraud activity. The Committee agrees that the report provided a significant level of assurance that all cases of suspected fraud are accounted for and appropriate action is taken.

16.2 Counter Fraud Activity and Fraud Referrals and Operations for year Ending 31 March 2017

16.2.1 The Committee noted that there were a lot of cases relating to overseas patients. Prof. McCallum advised that the guidance on this subject is not very clear, and there will always be many cases.

16.2.2 Ms Hirst commented that she would like to see how NHS Lothian compares to other Boards. Mr Old advised that the 2016/17 Counter Fraud Services Annual Report is currently not available. He advised that NHS Lothian is consistently in the top two for the number of referrals, and does lead the way with regard to the identification of overseas patients.

16.2.3 Mr Ash advised that for future reports, he would find commentary more useful than the schedule that is provided in Appendix 1.

16.2.4 Mr Old agreed to address these points for the next annual report. **JO**

16.2.5 Mr Ash did note that in Appendix 1 the majority of incidents had "N/A" in the column relating to the value of loss or potential loss. Mr Old advised that the incident report often will not include details on the value, and for some cases due to their nature there is no attributable value. Mr Ash asked if there was anything that could be done to improve this, and Mrs Goldsmith agreed to follow it up in the management line. **SG**

16.2.6 The Committee accepted the report as a summary of the Counter fraud activity within the year. The Committee agreed that the report provided a significant level of assurance that all cases of suspected fraud were accounted for and appropriate action was taken.

Mr Old left the meeting.

17. Annual Accounts (decision)

17.1 Governance Statement

17.1.1 The Committee accepted this report as a source of significant assurance that the process to develop the Governance Statement was consistent with the associated instructions and good practice.

The Committee reviewed the Governance Statement, did not identify any further required disclosures, and agreed it should be included in the annual accounts.

17.2 Management Representation Letter

17.2.1 The Committee reviewed the draft Representation Letter to the external auditors confirmed that the statements represented confirmation to the external auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2017, and agreed to recommend that the letter be signed by the Chief Executive of NHS Lothian.

17.3 NHS Lothian Annual Audit Report 2016/17

17.3.1 Mr Brown and Mr Eardley gave an overview of the report highlighting how the report was collated, key findings and the audit certificate.

17.3.2 The Committee accepted the report as a source of assurance to inform its review of the annual accounts.

17.4 NHS Lothian Annual Accounts for Year End 31 March 2017

17.4.1 The Committee agreed to recommend to the Board that they adopt the Annual Accounts for the year ended 31st March 2017 and recommend to the Board to authorise the designated signatories to sign the Accounts on behalf of the Board.

17.4.2 Ms Hirst requested that Mrs Goldsmith review the narrative a final time for duplication of wording and noted that for future reports more sub-headings would ensure that it was digestible for members. **SG**

17.5 Audit Committee Annual Report and Assurance Statement 2016/17

17.5.1 The Committee approved the annual report and assurance statement 2016/17.

17.6 Notification to Scottish Government Health Department Health and Wellbeing Audit Committee

17.6.1 The Committee approved the letter to the Scottish Government Health & Social Care Assurance Board.

18 **Date of Next Meeting**

18.1 The next meeting of the Audit and Risk Committee would take place at **9.00** on **Monday 29 August 2017** in **Meeting Room 7, Second Floor, Waverley Gate**.

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday, 28 August 2017 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr M Ash (**MA**) (Chair), Non-Executive Board Member; Ms C. Hirst (**CH**), Non-Executive Board Member; Mr P. Murray (**PM**), Non-Executive Board Member; and Ms Kay Blair (**KB**), Non-Executive Member.

In Attendance: Ms J. Bennett (**JBenn**), Associate Director for Quality Improvement and Safety; Ms J Brown (**JBr**), Chief Internal Auditor; Mr C Bruce (**CB**), Lead on Equalities and Human Rights; Mr D Eardley (**DE**), Scott Moncrieff; Ms S. Goldsmith (**SG**), Director of Finance; Professor A McCallum (**AKM**), Director of Public Health and Health Policy; Mr C. Marriott (**CM**), Deputy Director of Finance; Mr J. Old (**JO**), Financial Controller; Mr A. Payne (**AP**), Corporate Governance Manager; Ms L. Baird (**LB**), Committee Administrator;

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

19. Minutes of the Previous Meeting held on 19 June 2017

19.1 The minutes of the meeting held on 19 June 2017 were accepted as an accurate record of the meeting.

20. Running Action Note

20.1 NHS Lothian Corporate Risk Register– Members noted that the matter remained ongoing therefore the due date would be amended accordingly. A review of the risk register was underway and Ms Bennett anticipated that this would be complete by October and an update brought forward to the December meeting.

20.2 Acute Hospitals Committee Annual Report 2016/17 - Ms Blair proposed opening the discussion to the whole group, recognising the role that IJBs has on the functions and services which the Acute Hospitals Committee oversees, and the need for the IJBs and the Acute Hospitals Committee to have effective working relationships at the Acute Hospitals Committee on 29 August 2017. Once views were collated a response would be brought to the Audit and Risk Committee in December.

20.3 Lessons Learnt - Members agreed to pick this matter up under item 6.1 on the agenda, Update on Ensuring the Right Thing Happens in Practice.

20.4 Write-off of Research and Development 2016/17 & Schedule of Losses – SFR 18.0 – For those actions due but remain ongoing the Chair requested that future updates should clearly state when an update will be given.. He requested that Ms Goldsmith provide a report on these matters for the December meeting. **SG**

20.5 The Committee accepted the update on the actions detailed within the Running Action Note.

21. Risk Management (Assurance)

21.1 NHS Lothian Corporate Risk Register

21.1.1 Ms Bennett highlighted that the review and the workshop would focus on ensuring that there was a consistent mechanism in place across the Governance Committees to provide assurance that the risks within their remit were in line and supported the delivery of the Corporate Objectives. She commented that to date risks have not been explicitly identified from consideration of the Board's corporate objectives. The session may lead to identifying risks associated with the health of the population and quality which have not previously been so prominent. After some discussion Members agreed that to maximise resources it would be sensible to draw all strains of risk together and consider extending the remit of the workshop to include other Governance Committees.

21.1.2 Mr Murray drew the Committees attention to risk 3829 related to GP workforce sustainability and the forthcoming internal audit on workforce sustainability and questioned whether the scope would cover general practice.

21.1.3 Ms Brown commented that internal audit were planning to look at workforce, however they would like to narrow down the scope of the exercise rather than do some high level report.

21.1.4 Mr Murray referred to the risk on GP workforce sustainability, and highlighted that he had concerns that the Board has a strategic workforce challenge which presents itself in a variety of areas. He would like the issue to have more prominence than it has to date, and have the same level of understanding and assurance as is the case for the strategic financial risk. Mrs Goldsmith advised that a workforce strategy is being developed.

21.1.5 Members agreed that given the recent and continued publication of staffing issues within the NHS it would be prudent to get assurance that the Staff Governance Committee were sighted on the matter.

21.1.6 The Committee agreed to refer the matter to the Staff Governance Committee. Mr Payne would liaise with Ms Butler, Director of Human Resources and Organisational Development and Mr Ash would liaise with his counterpart on the Staff Governance Committee to ensure that she was sighted on the Committee's concerns. **AP/MA**

21.1.7 Mr Murray acknowledged the progress made against the harm free care risk and achieving 99.9%. Members agreed that more positive work should be brought forward instead of merely highlighting the negatives.

21.1.8 Mr Murray referred to the risk on unscheduled care (4-hour performance) (Risk 3203), and commented that the description of the controls in place does not change. Ms Bennett explained that this risk is under review, and acknowledge that it is not clear at the moment what is a control and what is an update. She highlighted that it is important that this risk links into the work which the integration joint boards are taking forward. Ms Bennett explained that a mapping exercise has been done across IJBs on the work to tackle the GP sustainability risk, however a similar exercise has not yet been done on the 4-hour target.

21.1.9 Members agreed that there was a needed to formally define the lines of communication between the integration joint boards and the Audit and Risk Committee, specifically who was providing assurance, to whom and when. It was agreed that Ms Bennett would seek the views of the Chief Officers and the Chairs to inform discussions and consider a way forward on 2nd October.

JBenn

Mr Bruce Entered the meeting.

21.1.10 Ms Hirst noted the positive changes within the documentation in respect of language reflecting the focus of the actual risk however she still had reservations surrounding the title of the management of deteriorating patient's risk. Ms Bennett advised that there had been extensive discussion at Healthcare Governance Committee and agreed to pick this matter up at their next meeting.

JBenn

Mr Old entered the meeting.

21.1.11 The Committee agreed that it would be good if the Board had a development session on risk in early 2018, and the Chair asked Mrs Goldsmith to confirm that a date has been set.

SG

21.1.12 The Chair advised the Committee shall have new members soon. A half day session is being organised for the Committee to have a preliminary discussion on risk, however the chairs of other committees and officers will be invited to attend.

21.1.13 The Chair commented that for the risks that are consistently red, we should be examining options as to how they are presented on the risk register and monitored.

21.1.14 The Audit & Risk Committee agreed to:

- Acknowledge the corporate risks are undergoing review to improve the expression of risk, controls and actions.
- Accept significant assurance that the Corporate Risk Register contains all appropriate risks.
- Accept that as a system of control, the Governance committees of the Board have confirmed they are assessing the levels of assurance provided with respect to plans in place to mitigate the risks pertinent to the committee.

22. Counter Fraud (Assurance)

22.1 Counter Fraud Activity – Mr Old presented the report which highlighted that there were 3 open referrals and 3 open operations as at 4 August 2017.

22.1.2 The Committee accepted the report.

Mr Old left the meeting.

23. Internal Audit (Assurance)

23.1 Internal audit Progress Report (August 2017) – Ms Brown gave an overview of the report. She highlighted plans to make use of graduates to fill the gap created by sickness absence in the short term and future plans to utilise the graduate programme and apprenticeships to address staffing issues. Mrs Goldsmith advised that the Chief Executive had set a challenge to consider how a regional finance function could operate. Mr Marriot and Ms Brown would continue to explore all options and provide assurance to the Audit and Risk Committee that the resources available to the Internal Audit Team were sufficient to discharge their duties and fulfil the internal audit plan.

23.1.1 Ms Brown gave a brief overview of performance in respect of the KPIs, highlighting that:

- Draft terms of reference – 2 out of 6 were agreed at 3 weeks however this had not impacted the delivery of the review.
- The target for close out meetings had been met on 2 out of 4 occasions due to annual leave and the team remained focused on improving this.
- 3 out of 4 draft reports were issued within 15 working days after completing the fieldwork, and the team would continue to focus on this.

Ms Hirst requested that the notes column remain as it supported the understanding of the percentages detailed within the report.

23.1.2 Ms Brown drew attention to a proposed revised reporting format for internal audit, which aims to align internal audit reports with the assurance levels being used in the Board's system of governance. Following a query from the Chair, Ms Brown agreed to ensure that it was clear that each finding had a corresponding management action.

23.1.3 Mr Murray questioned the circumstances in which some audits had been re-scoped. Mr Brown advised that some audits are cyclical and others prioritised by risk. For each year the internal auditors consider the risk register and discuss the areas with the relevant director, to ensure that the audit is focused on the right priorities rather than doing an audit which nominally falls in that director's area of responsibility. Ms Brown confirmed that she presents the proposed audit plan to the Corporate Management Team to ensure that all audits remain in line with the Boards interests and were the best use of Internal Audit resource . Mr Murray commented that he was very interested in the scoping of the audit of the quality programme, in light of the level of resource being deployed in that area.

JBr

- 23.1.5 Ms Hirst proposed that there should be some consideration of the quality of communications across the primary and secondary sectors, and in between departments, highlighting that it was a common theme within complaints. There was agreement that communication was key and needs to be looked at by the subject was vast and scope would need to be narrowed. Mrs Goldsmith agreed to consider communication in the development of the 2018/19 audit plan. **SG**
- 23.1.6 The Committee agreed to accept the report.
- 23.2 Reports with Green Ratings (August 2017) – Ms Brown went through each of the audit with green ratings highlighting the key issues and provided assurance that she was content with the management response provided.
- 23.2.1 Members noted the positive audit of the Hospital Laundry and agreed that the positive outcome should be feedback to the service. The Committee agreed that good work should be recognised when it was seen. Mrs Goldsmith agreed to refer this to the Deputy Chief Executive. **SG**
- 23.2.2 Members questioned the green rating against the Property Transaction Monitoring audit given the inconsistent application of process across all areas of the organisation. Internal Audit was assured by the processes that were in place and the management response therefore the finding was categorised as minor.
- 23.2.3 Members agreed that it was essential that all reports related to the integration joint boards should be shared with their own audit committees.
- 23.2.4 With regard to the audit on Performance Targets and Reporting (IJBs) the Committee agreed that this was an area which required further work. Most of the measures are determined by the Scottish Government, rather than being locally developed. The Chair reminded the members that the integration scheme set out responsibilities for both the Board and the Councils to provide the integration joint boards with performance information . Members noted that this matter would be picked up under the work which the Deputy Chief Executive is leading.
- 23.2.5 The Committee accepted the Internal Audit Report on Reports with Green Ratings (August 2017).
- 23.3 Equality and Diversity (August 2017) – Ms Brown gave a brief overview of the report noting the key findings.
- 23.3.1 Mr Bruce advised the Committee that the agreed actions will be completed on time. He added that focussing on legal compliance is not a particularly effective way to go forward. The focus should be on outcomes, and trying to help people to do what they want to do better.
- 23.3.2 Members noted that it was disappointing that the completion of integrated impact assessments had decreased year on year. The committee supported the identification of a new process and training that did not add further burden to the organisation. It was agreed that the approach to training should mirror the development of policies and recognise how training would be implemented and applied in all areas of the organisation.

- 23.3.3 Members attention was drawn to the impact assessment previously circulated by Margaret Douglas as a useful background on Equality and Diversity matters. Mr Bruce agreed to circulate it to the group for their information if required.
- 23.3.4 Ms Brown advised that the report and management response was encouraging and reflected the work being done. She was reassured by the management actions.
- 23.3.5 Members agreed to accept the report on Equality and Diversity (August 2017).

Mr Bruce left the meeting.

23.4 Internal Audit Follow-up (August 2017) - since the previous report of June 2017 24 actions had been closed off. Ms Brown was mindful that there were a few long terms actions outstanding however she noted that with process of review new actions would be produced and added regularly therefore there would always be outstanding actions. She was comfortable with progress made and would continue to pursue the closure of long term actions.

23.4.1 The Committee agreed to accept the report.

24. General Corporate Governance (Assurance)

24.1 Update on Ensuring the Right Thing Happens in Practice – Mr Payne gave a brief overview of the scheduled update summarising the progress to date. He noted that this was a long term process, encouraging the development of policies and procedures with proper consideration as to how they will be implemented in practice. .

24.1.1. Professor McCallum commented that there are opportunities to use implementation science, and not continuing with methods which we know do not work. The challenge is how we get assurance that new working practices are indeed working.

24.1.2 Ms Bennett added that “the what” and “the why” is covered in policy. It is essential to test in practice the procedures, which cover “the how”. All policies need to be implemented flexibly with due regard to the operational circumstances.

24.1.3 Mr Murray commented that the Board needs to get a proper understanding as to what it involves to put in place a robust infrastructure that would support the effective implementation of policies and procedures.

24.1.4 Ms Hirst commented that there is limited accountability for policies not being implemented. She added that managers have a crucial role to play to ensure that employees are effectively aware of the material that is pertinent to their roles. There should not be a simple expectation that all employees should have the knowledge, and it does require deliberate measures to make this so. Ms Hirst stated that “top-down” techniques do not work, it has to be done from the bottom up..

- 24.1.5 Ms Bennett advised that the point about testing things in practice is in the new Procedure for Developing Policies & Procedures. However there needs to be an infrastructure to support that testing.
- 24.1.6 The Committee noted that the Healthcare Governance Committee will be considering a report on the subject. The Chair requested that an update be brought back to the Audit and Risk Committee in the spring of 2018. **AP**
- 24.1.7 The Committee accepted the report.

25. Date of Next Meeting

- 25.1 The next meeting of the Audit and Risk Committee would take place at **9.00** on **Monday 4 December 2017** in **Meeting Room 7, Second Floor, Waverley Gate.**

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday, 4 December 2017 in Meeting Room 7, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr M Ash (**MA**) (Chair), Non-Executive Board Member; Mr J Oates (**JO**) Non-Executive Board Member; Ms C. Hirst (**CH**), Non- Executive Board Member; Mr P. Murray (**PM**), Non-Executive Board Member; Mr M. Connor (**MC**) Non-Executive Board Member.

In Attendance: Ms J. Bennett (**JBen**), Associate Director for Quality Improvement and Safety; Ms J Brown (**JBr**), Chief Internal Auditor; Mr D Eardley (**DE**), Scott Moncrieff; Ms S. Goldsmith (**SG**), Director of Finance; Mr C. Marriott (**CM**), Deputy Director of Finance; Professor A. McMahon (**AMcM**), Director of Nursing, Midwifery & Allied Health Professionals; Mr J. Old (**JO**), Financial Controller; Mr A. Payne (**AP**), Head of Corporate Governance; Dr S. Watson (**SW**), Chief Quality Officer, Ms L. Baird (**LB**), Committee Administrator.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

26. Minutes of the Previous Meeting held on 28 October 2017

26.1 The minutes of the meeting held on 28 October 2017 were accepted as an accurate record of the meeting.

27. Running Action Note

27.1 NHS Lothian Corporate Risk Register – Mr Ash advised that he had sought assurance from Ms Mitchell, Chair of the Staff Governance Committee in respect of the reports on staffing issues within the NHS. Mr Payne had also raised the matter with Ms Butler, Director of Human Resources and Organisational Development.

27.1.1 With regard to the development of the Board's risk appetite, Ms Bennett advised that without a clear understanding and agreement of what the Board's risks are, it is difficult to meaningfully review the risk appetite. On 30 November there was a workshop where the directors started to identify the risks from the Board's corporate objectives. This work will inform the review of the risk appetite and tolerances.

27.1.2 With regard to the exercise to compare the NHS Lothian risk register to that of other Boards, Ms Bennett advised that the team is finalising the process of getting information from other Boards, and a report will be presented at the Committee's meeting in February 2018.

27.2 Acute Hospitals Committee Annual Report – Mr Payne advised the Committee that the Chief Officer has advised that a workshop will be held for

the Acute Hospitals Committee and this will include a reflection on its role.

- 27.3 Communication between the IJBs and the Audit & Risk Committee - Mrs Goldsmith advised that there had been two workshops on this subject and some principles had been drafted to clarify how the IJB Chief Internal Auditors would engage with the NHS Lothian internal audit function. The Committee noted that the Director of Finance was leading this work, supported by the Head of Corporate Governance. The Committee noted that it would receive an update report in February.
- 27.3.1 Development Session on Risk - Mrs Goldsmith advised that the schedule of Board development sessions for 2018 had not been agreed yet. Mr Ash stated that it would be helpful if the session could be held in the spring of 2018, sometime after February.
- 27.4 Draft Audit Plan 2018/19 – It was noted that the Corporate Management Team would consider communication as part of the process of reviewing the requirements for the 2018/19 internal Audit Plan. Rather than carrying out a broad review of communication, the audit would look at the issue of communication within the context of a sample of complaints.
- 27.5 The Committee accepted the running action note and the action taken detailed therein.
28. Risk Management (Assurance)
- 28.1 NHS Lothian Corporate Risk Register
- 28.1.1 Ms Bennett gave a brief overview of the previously circulated report. She highlighted that following a period of sustained improvement the clostridium difficile and Staphylococcus aureus Bacteraemia risk and the Patient Experience Risk had been downgraded. It was explained that both risks had been downgraded following deliberate actions taken to mitigate the risk:
- Clostridium difficile & Staphylococcus aureus Bacteraemia risk had seen a change following changes to prescribing and focus on devices.
 - Complaints risk had seen sustained improvement following a period focused work on improving performance and relationships within the service. The Scottish Public Services Ombudsman had previously identified NHS Lothian as an outlier in terms of performance, but that is now no longer the case.
- 28.1.2 Mr Ash asked for positive feedback to be given to the leads for these risks, so as to acknowledge the improvements in these areas. **JB**
- 28.1.3 With regard to the risk entitled “Timely Discharge of Inpatients” (Risk ID 3726) Mr Murray highlighted to the Committee that an informal meeting is being held to identify the issues that are common to all of the integration joint boards. He commented that this was one of the top issues within the IJBs and would only become more prominent in the coming months.
- 28.1.4 Mr Murray suggested that the planned audit of complaints and feedback should be recognised in the risk entitled “Management of Complaints and Feedback” (Risk ID 3454). Ms Bennett agreed to update the risk accordingly. **JBen**

Mr Murray commented in general terms, further consideration should be given to the financial consequences of the actions taken to mitigate risk, and how the organisation purposely shifts resources from one thing to another to facilitate the management of risk of risk.

- 28.1.5 The Audit & Risk Committee agreed to:
- Acknowledge the corporate risks are undergoing review to improve the expression of risk, controls and actions.
 - Accept significant assurance that the current Corporate Risk Register contains all appropriate risks, which are contained in section 3.2 and set out in detail in Appendix 1.
 - Accept that as a system of control, the Healthcare Governance Committee is assessing the levels of assurance provided with respect to plans in place to mitigate the risks pertinent to the committee.

29. Internal Audit (Assurance)

29.1 Internal Audit Progress Report – December 2017 – Ms Brown gave an overview of the report. She noted that since the previous meeting Four (Volunteers expenses, Private Patient Funds, Elective waiting times and financial ledger) had been finalised and one had been issued in draft (Fixed Assets). She anticipated that the final report on Data Quality would be presented to the Committee in February 2018.

29.1.1 Ms Brown highlighted that in light of ongoing sickness absence in the team, a colleague from KPMG had been supporting the delivery of the audit programme, and the internal audit team will be enhanced with the secondment of graduate trainees currently working in the NHS Lothian finance directorate from December 2017 until March 2018.

29.1.2 In response to the Chair's question Ms Brown provided assurance that performance against some KPIS would improve by the end of the year. In particular the KPIs relating to scoping the audit, and producing a draft internal audit report within 15 days of the conclusion of the fieldwork.

29.1.3 The Committee debated the KPI relating to management providing a management response to draft audit reports within 15 working days. Ms Hirst commented that she would rather have a good quality management response, rather than an arbitrary KPI on timeliness being met. Mr Payne advised the Committee that in the time of NHS trusts when he was providing an internal audit service to Lothian, it was common for audit reports to be presented to the audit committee without a management response as the responses were not forthcoming, and he suggested that there needs to be some benchmark to avoid reverting back to that position. The Chair requested that Ms Brown and Mr Payne consider the 15 day target and provide feedback at the February meeting.

JBr/AP

29.1.4 Ms Brown agreed to link in with the Chief Internal Auditors of the integration joint boards as part of the planning of the audit of homecare services which will be conducted in 2018/19, so as to avoid any duplication.

JBr

29.1.5 In response to a query from Mr Murray, Ms Brown explained that the internal audit planning process is informed by the Board's corporate risk register and the results of previous audit work. Mr Murray commented that he would like there to be more

explicit assurance that the audit plan is indeed focused on the Board's risks and that resource is being directed to the right areas. Ms Brown agreed to consider this in the development of the internal audit plan which will be presented to the Committee in February.

JBr

29.1.6 The Committee accepted the report.

29.2 Reports with Green Ratings – Volunteer Recruitment & Reimbursement; Financial Ledger – Ms Brown gave a brief overview of the report. Members noted that the NHS Lothian Volunteer Strategy was under review; a draft proposal would be submitted to the Corporate Management Team in December.

29.2.1 The Committee accepted the report.

29.3 Patients' Private Funds (August 2017) – Ms Brown gave a brief overview of the report noting the key findings.

29.3.1 The Committee accepted the report

29.4 Waiting Times – Monitoring & Reporting of Performance against the treatment time guarantee (elective care) (September 2017) – Ms Brown gave an overview of the report noting that this was the first occasion that the control objectives had been assessed against the Board's standard levels of assurance, and invited members to provide feedback.

29.4.1 Dr Watson reported that he had no issues with the report or detail within the agreed management actions however he wished to raise a few general points at the end of the discussion.

29.4.2 The Committee highlighted that the report provided significant assurance that "*The Access & Governance Committee effectively monitors the elective care waiting times compliance process.*" The Committee clarified that this opinion related to the Access & Governance Committee's role with regard to elective care, and not unscheduled care which was the subject of an ongoing whistleblowing investigation into the waiting times figures for emergency departments. There does remain an issue for the Access & Governance Committee with respect to unscheduled care.

29.4.3 Ms Hirst commented that the whistleblowing case highlighted the importance of the Board proactively seeking assurance on the reliability of management information. This audit report does provide positive assurance and steps should be taken to ensure that it is effectively communicated.

29.4.4 Dr Watson invited members to consider in adding quality of data to the scope of future audits, and informed them that in future the Access & Governance Committee will have a more significant role for data quality. . The Chair requested that Dr Watson forward the revised terms of reference of the Access & Governance Committee once it is completed. .

SW

29.4.5 Dr Watson explained that action had been taken in the past to separate the framework of quality control and audit of the data for waiting times from the management of the clinical services. The framework identifies issues for service management to address, however there is some concern with regard to the timeliness that such action is taken. More work needs to be done to

improve the connections between these two arms in order to improve the reliability of the data. .

- 29.4.6 The Committee accepted the report, while recognising that there was an ongoing investigation with regard to waiting times for emergency departments.
- 29.5 Internal Audit Follow Up (December 2017) – Ms Brown gave a brief overview of the report, noting that since the last meeting 26 actions had been closed off since the previous meeting.
- 29.5.1 The Chair drew attention to three actions relating to an audit on homecare services that had been outstanding for a period of 6-12 Months and questioned why the time had lapsed. Ms Brown assured the Committee that outstanding management actions continued to reduce at a steady pace. Ms Brown advised that in some cases the delay had been caused by national developments, however she anticipated that the actions would be complete by February 2018.
- 29.5.2 The Committee accepted the report.
- 29.6 Proposed Approach for Developing the 2018/19 Internal Audit Plan – Ms Brown noted concerns that the current internal audit universe and risk assessment approach was becoming outdated. She proposed that it would be better to align the internal audit plan into the strategic objectives of NHS Lothian and the resultant strategic risks which will impact on the achievement of those objectives. She would take a step back and consider the drafting of the 2018/19 audit plan to ensure that the balance was correct. In this first instance the draft plan would be considered by the Corporate Management Team in January before being brought to the Audit and Risk Committee in February. The Chair requested that it would be helpful if the audit plan cross-refers to relevant previous discussions at the Committee and the results of previous audits.
- 29.6.1 The Committee accepted the report.

JBr

Dr Watson left the meeting and Mr Old entered the meeting.

30. Counter Fraud Services (Assurance)

- 30.1 Counter Fraud Activity – Mr Old gave an overview of the previously circulated report noting that as at 13 November 2017, 5 referrals and 3 operations were open.
- 30.1.1 The Committee noted Mr Old's detailed verbal overview operation ARISTON in response to a request for further information at a previous meeting. The Committee highlighted that it is still waiting on the final report from Counter Fraud Services, but did acknowledge that this is still a live investigation. The Committee agreed that once a report is received then it should be used to inform the development of NHS Lothian's culture and systems of internal control. The Chair asked that Mr Payne liaise with Mrs Goldsmith and Mr Old so as to provide an update to a future meeting..
- 30.1.2 Mr Payne advised the Committee that he is a member of a Government working group which will develop new national guidance on ethical conduct, and that he will keep the Committee informed of any developments.
- 30.1.4 As an interim measure Mrs Goldsmith agreed to bring forward a report detailing NHS Lothian's response to the CFS Presentation and recommendations presented at the Senior Management Team and how this

/AP

Mr Old left the meeting.

31. General Corporate Governance (Assurance)

- 31.1 Litigation Annual Report 2016/17 – Ms Bennett gave a brief overview of the report noting that the Healthcare Governance Committee had accepted that the report provided significant assurance for the effectiveness of the processes and moderate assurance in terms of evidence of learning after cases were closed.
- 31.1.1 Mr Murray asked how NHS Lothian compares to other Boards. Ms Bennett advised that in previous years NHS Lothian had been a outlier in respect of non-clinical claims. There has been progress made in reducing the number of such claims however the associated cost has not correspondingly reduced.
- 31.1.2 Ms Bennett advised that in relation to staff claims, the Health and Safety Committee had taken action and actions from the report would be fed into the various sub-groups in the health & safety structure.
- 31.1.3 The Committee agreed to:
- Accept the report as an annual update on litigation activity in terms of numbers, financial impact and recurring themes.
 - Note that the Healthcare Governance Committee has accepted the report as providing significant assurance for the effectiveness of the processes and moderate assurance in terms of evidence of learning after cases are closed.
 - Note that the Healthcare Governance Committee has approved plans to strengthen processes for learning from claims, and note some examples of high value claims and areas with highest number of claims provided in the paper.
 - Note the improvement programs in place across NHS Lothian to reduce the likelihood of adverse events that may result in fewer settled claims, but to recognise that events that result in a claim are not always part of an adverse event process.
- 31.2 Write-Off of Research & Development Debt – Update – Members noted the report that provided the Committee with an update on the lessons learnt and actions to be taken following a write off of a bad debt which represented the income raised based on research activity carried out within Laboratory Medicine which was managed and negotiated by the Research and Development (R&D) Department.
- 31.2.1 The Committee accepted this report as a source of significant assurance that there are adequate controls in place to mitigate the risk of a commercial third party failing to fully pay its debts to the Board.
- 31.3 Review of the Board's Standing Orders – Mr Payne gave a brief overview of the report noting his proposal to remove the sections that refers to motions as it was not compatible with the way the Board worked, and had caused issues in previous Board meetings.
- 31.3.1 The Committee agreed to accept the report subject to the inclusion of an option that provided for any Board member to approach the Chair to propose an item for the agenda, while recognising that it remains at the Chairman's discretion as to whether it is included or not. With that amendment made the Committee agreed to recommend the revised Standing Orders to the Board for

AP

32. Presentation on Audit Scotland's [NHS in Scotland 2017 \(October 2017\)](#)

32.1 Kirsty White and Claire Sweeney gave a detailed presentation on Audit Scotland's NHS in Scotland 2017 (October 2017) report.

33. Date of Next Meeting

33.1 The next meeting of the Audit and Risk Committee would take place at **9.00** on **Monday 26 February 2018** in **Meeting Room 7, Second Floor, Waverley Gate.**

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday, 26 February 2018 in Meeting Rooms 8&9, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present:

Mr M Ash (MA) (Chair), Non-Executive Board Member; Cllr J McGinty (JMcG) Non-Executive Board Member; Ms C. Hirst (CH), Non- Executive Board Member; Mr P. Murray (PM), Non-Executive Board Member and Mr M. Connor (MC) Non-Executive Board Member.

In Attendance:

Ms S Gibbs (SGi), Quality & Safety Assurance Lead; Ms J Brown (JBr), Chief Internal Auditor; Mr D Eardley (DE), Scott Moncrieff; Ms S. Goldsmith (SG), Director of Finance; Ms J Campbell, Chief Officer Acute Services; Mr C. Marriott (CM), Deputy Director of Finance; Mr J. Old (JO), Financial Controller; Dr S. Watson (SW), Chief Quality Officer and Mr C. Graham (CG), Secretariat Manager.

Apologies:

Mr T. Davison, Chief Executive; Mr J. Crombie, Deputy Chief Executive; Mr B. Houston, Board Chairman; Ms J. Bennett, Associate Director for Quality Improvement and Safety; Mr A. Payne, Head of Corporate Governance; Ms D Howard, Head of Financial Control; Mr C Brown, Scott Moncrieff and Professor A. McMahon, Executive Nurse Director.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

34. Minutes of the Previous Meeting held on 4 December 2017

34.1 The minutes of the meeting held on 4 December 2017 were accepted as an accurate record of the meeting.

35. Running Action Note

35.1 Performance against Risk Tolerance Measures – The Committee noted that this action was now complete. The Committee had held a risk workshop on 30 November 2017. The outcome from this workshop will inform a Board development session in 2018.

35.2 Comparison of the NHS Lothian risk register with that of other Boards - An update has been included in the Corporate Risk Register report (Item 36.1).

35.3 Acute Hospitals Committee Annual Report - Feedback/comment awaited from Acute Hospitals Committee

35.4 Quality of Communication – The Committee noted that the draft Internal Audit Plan for 2018/19 (Item 37.4) includes an audit on Complaints & Feedback which will attend to this point.

35.5 NHS Lothian's response to the CFS Presentation and recommendations - Mrs Goldsmith reported that this action was not part of the audit plan and that as an interim measure she was in discussions with Mr Old about undertaking a series of workshops as engagement across the system. Mr Old added that it was a case of identifying areas to target then set up the sessions.

35.5.1 The Committee accepted the verbal update and confirmed there was no need for a written report on this action next time. An assurance report would come to the Committee in due course.

35.6 Review of Board Standing Orders - The Chairman reported that the Head of Corporate Governance was working on a new version. The new version would come to the April Committee meeting and would be circulated to members ahead of this for advance input. Following this the revised standing orders would then go to the June Board meeting.

35.7 "Timely Discharge of Inpatients" (Risk ID 3726) - Mr Murray reported that a meeting to solely look at the effectiveness and efficiencies of hospital at home and acute had now been arranged.

36. Risk Management (Assurance)

36.1 NHS Lothian Corporate Risk Register - Ms Gibbs covered the report setting out NHS Lothian's Corporate Risk Register for assurance.

36.1.1 Ms Gibbs reported that there was still work to do to complete the violence and aggression section. All risks were being reviewed and controls tightened up. The Committee noted that the HAI risks had reduced to medium assurance level.

36.1.2 The Committee noted that there would be a Board Development Session in May looking at risk management, building on the session held before Christmas. This risk appetite would also be revisited in May.

36.1.3 There was discussion on risk across NHS Lothian and the IJBs. It was noted that there had been a meeting in October 2017 to look at relationships, connections and synergies. It was recognised that there should be a more coordinated approach to mitigation of risk across the IJBs and NHS Lothian and it was important to get IJB/HSCPs and internal audit input into the May workshop. Mr Murray suggested that it may be useful to have the IJB Audit Committee Chairs attending along with the partnership directors to get as wide a view as possible.

36.1.4 The Chair suggested that some preliminary work could be undertaken around overlap with the IJB risk registers ahead of the May session. Ms Gibbs would feed this back to Ms Bennett. **SGi**

36.1.5 There was further discussion on risk appetite; the reporting framework; escalation of areas of concern to the Board and financial transparency. Mr Connor stated that there would always be unsolvable risks which were externally driven. Mrs Goldsmith added that the Board's Operational Plan link to risks and she was working with strategic planning colleagues on the Operational Plan.

- 36.1.6 The Committee accepted that the risk register contained all risks and a process was in place to provide assurance whilst acknowledging that the corporate risks had undergone a review to improve the expression of risk, controls and actions.**
- 37. Internal Audit (Assurance)**
- 37.1 Internal Audit Progress Report – February 2018 – Ms Brown gave an overview of internal audit activity since the December meeting, and confirmed the reviews planned for the coming quarter, identifying any changes to the original audit plan.
- 37.2 It was noted that there remained an outstanding draft report relating to data quality. Ms Brown clarified that this was a large area that was being looked at and that she would be meeting with the Executive Medical Director and the Chief Quality Officer shortly to finalise this. Ms Brown also confirmed that the Quality Improvement Strategy review would be moving to the first or second quarter of the 18/19 plan.
- 37.3 There was discussion around the home care services audit and it was noted that this was previously looked at in 2014/15. Ms Brown confirmed that this audit would be put on hold as the Edinburgh IJB were planning on undertaking similar work and this may impact on what NHS Lothian may want to focus on. It was suggested to wait and see what comes through from the Edinburgh IJB audit work and look to scheduling this into the 18-19 plan.
- 37.4 There was discussion on the potential opportunity for a cross organisation look at home care. **Ms Brown agreed to take this suggestion away and look at the practicalities involved in widening of scope and would come back and update the committee**
- 37.5 Ms Brown also reported on the stability of the Internal Audit team. It was noted that currently there was one vacancy and the team comprised two principal auditors and one part time auditor. The team had been receiving part time assistance from two graduate finance trainees over the previous three months.
- 37.6 Mrs Goldsmith added that there had been discussion with NHS Borders on a shared audit system. It had been agreed that they would continue with their own audit arrangements for the next year then a shared system would be considered. There was also potential regional work impact to factor in.
- 37.7 The Committee accepted the contents of the Internal Audit progress report and approved the plan for the next quarter.**
- 37.2 Reports where all the control objectives have “Significant” assurance – Fixed Assets (January 2018) – The Committee accepted the report.
- 37.3 Follow-Up of Management Actions Report (February 2018) - The Committee accepted the report.
- 37.4 Internal Audit Plan 2018/19 - Ms Brown presented the draft plan for discussion and consideration. It was noted that the areas for review had been presented to the February Corporate Management Team meeting. There was discussion around policy framework work; impact of the new GP contract; the regional working agenda and home care. It was noted that this would require wider discussion with the Chief Officers and would need direct cooperation from Local Authority partners.

There was also discussion on the policy and procedure work undertaken by the Head of Corporate Governance. Ms Brown would follow this up with Mrs Goldsmith out with the meeting.

JBr/SG

38. Counter Fraud Services (Assurance)

38.1 Counter Fraud Activity – Mr Old gave an overview of the previously circulated report noting that as at beginning of February 2018, 1 referral and 3 operations were open.

38.1.1 In terms of how Lothian compared against other health boards. Lothian had made 15% referrals across NHS Scotland (55 for the first 9 months of last year); this was second highest behind NHS Greater Glasgow and Clyde. It was noted that the majority of referrals came back with no further management actions required.

38.1.2. Mr Old added that it was hoped that the presentation sessions would help make people more aware and could raise the potential for more referrals. There was the annual meeting of counter fraud soon and it was likely there would be a drop off in focus on smaller issues to allow concentrate on large issues.

39. External Audit (Assurance)

39.1 External Audit Plan 2017/18 - Mr Eardley reported that the Plan was of similar format to previous years. There had been no major changes to standards or requirements. There was discussion on auditing of best value and value for money; the 4 hour access review process; scenario planning; financial management arrangements; engagement with IJB section 95 officers; assessment of risk; key audit risks and the implications of producing a financial plan which was not in balance.

39.2 Mr Eardley stated that the audit fee this year had been reduced by around £13k and confirmed there continued to be continuity within the audit team and that there were weekly meetings with NHS Lothian senior finance team to discuss any issues.

39.3 The Committee accepted the External Audit Plan for 2017/18.

40. Corporate Governance (Assurance / Decision)

40.1 Access and Governance Committee Update – Dr Watson introduced the report informing the Committee of key developments in relation to the Access and Governance Committee (AGC).

40.1.1 The Committee noted that the AGC had now revised its Terms of Reference (ToR) as part of the Internal Audit Review of Emergency Access Standards and that there had been two meetings held under these new ToR. Dr Watson reported that the new more effective way of working was seeing the number of outstanding issues diminish quickly.

40.1.2 There was discussion on the assurance pathway for AGC. It was noted that a paper would go to the March Corporate Management Team meeting describing all activities undertaken by the AGC and including suggested risk ratings. It was proposed to bring a summary paper to the April Audit and Risk Committee for consideration and comment. The Chair stated that there should be a single

assurance report from the Corporate Management Team and that the AGC contribution should be part of that assurance.

40.1.3 The Committee asked for an update on the External Review being undertaken by Professor Derek Bell. Ms Campbell reported that at the moment the external review had finalized the last groups of staff engagement events. There had been two events at St John's Hospital, tow at the Royal Infirmary and one at the Western General Hospital. It was not planned to have any sessions at RHSC. It was hoped that the final report would be received middle to end of March 2018. A comprehensive report would come to the April Audit and Risk Committee.

JCam/JC

40.1.4 Ms Campbell added that the Deputy Chief Executive had established an improvement board to oversee improvement action and meeting timescales. In addition to this, the Director of HR&OD had established a staff engagement group which had a focus on the Organisational Development tie in and would report to the improvement board and the Corporate Management Team paper.

40.1.5 There was reference to the Internal Audit Plan and whether this should have a broad analysis of deployment and suitability of policies and procedures for NHS Lothian. There were a number of areas where policy failed to deploy as expected. The Chair suggested this be picked up under the Internal Audit Plan Item. Mrs Goldsmith reported that the Head of Corporate Governance was leading on work on policy and procedure compliance and this work had been handed over to the Executive Nurse Director.

40.1.6 The Committee received the revised Terms of Reference for the Access and Governance Committee, as had been requested at a previous Audit and Risk Committee meeting. The Committee also supported the proposed process to award the Access and Governance Committee assurance ratings.

41. Any Other Competent Business

41.1 There was no other business.

42. Date of Next Meeting

42.1 The next meeting of the Audit and Risk Committee would take place at 9.00 on Monday 23 April 2018 in Meeting Rooms 8&9, 5th Floor, Waverley Gate.

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee meeting held at 9.00 am on Monday, 23 April 2018 in Meeting Rooms 8 & 9, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present:

Mr M Ash (Chair), Non-Executive Board Member; Mr B McQueen, Non-Executive Board Member; Mr P. Murray, Non-Executive Board Member and Mr M Connor Non-Executive Board Member.

In Attendance:

Ms J Bennett, Associate Director for Quality Improvement & Safety; Ms J Brown, Chief Internal Auditor; Mr C Brown, Scott Moncrieff; Mr J Crombie, Acting Chief Executive; Miss T Gillies, Medical Director; Ms S. Goldsmith, Director of Finance; Ms J Campbell, Chief Officer Acute Services; Ms B Livingston, Finance Manager – Corporate Reporting; Mr C. Marriott, Deputy Director of Finance; Professor A McCallum, Director of Public Health and Health Policy; Professor A McMahon, Executive Director Nursing, Midwifery & AHPs; Mr J. Old, Financial Controller; Mr A Payne, Head of Corporate Governance; Ms G Scanlin, Scott Moncrieff; Dr S. Watson, Chief Quality Officer and Miss L Baird, Secretariat Manager.

Apologies:

Mr T. Davison, Chief Executive; Mr B. Houston, Board Chairman; Cllr John McGinty, Non-Executive Board Member.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

1. Minutes of the Previous Meeting held on 26 February 2018

- 1.1 The minutes of the meeting held on 26 February 2018 were accepted as an accurate record of the meeting subject to the following amendment:
- Ms Brown also reported on the stability of the Internal Audit team. It was noted that currently there was one vacancy and the team comprised two principal auditors and one part time auditor. The team had been receiving part time assistance from two graduate finance trainees over the previous three months.

2. Running Action Note

- 2.1 Risk Management – at the Board Development Day in May there would be a focus on risk. An update on the discussion was anticipated for the June Audit & Risk Committee.
- 2.2 Internal Audit - There had been discussions with the Edinburgh Integration Joint Board's Chief Internal Auditor to agree in principle the development of a joint audit on homecare in 2018/19. This would be a pilot exercise which would be used to inform the approach of the audits in the other three local authority areas. This will be

discussed further at the next meeting of the Chief Internal Auditor group late August 2018

2.3 The Committee accepted the running action note.

3. Ensuring the Right Thing Happens in Practice – Arrangements for the Approval of Policy

3.1 It was noted that in September 2017 the formal governance oversight of the action plan “Ensuring the Right Thing Happens in Practice Every Time” was transferred from the Audit & Risk Committee to the Healthcare Governance Committee. The purpose of this report was to provide a general update on progress against actions to date.

3.2 The policy hub had been resourced and appointments were made to roles to support the revised arrangements, to deliver the action plan and the proposed project. The elements of all 4 phases were underway in accordance with the overarching programme plan.

3.3 Future updates on compliance and oversight would remain with the responsibility of Healthcare Governance Committee. As part of the system of control there would be a continuous review process built into the programme that allows a flow of feedback between the hub and services.

3.4 The Committee noted the information provided and anticipated an update on progress in the Healthcare Governance Committee Annual Report in June.

3.6 The Committee agreed to endorse the levels of assurance accepted by the Healthcare Governance Committee in March 2018:

- Significant assurance that the actions within “Ensuring the Right Thing Happens in Practice Every Time” that have been delegated to the new Policy Hub are now being delivered with focus and pace.
- Significant assurance that action is being taken to address the gaps identified in the governance arrangements for the development, dissemination and implementation of clinical policy, documentation and information for patients.
- Limited assurance that until the revised processes are embedded the culture may prevail that individuals and services may issue policy, procedure and other materials that have not been through formal approval procedures.

4. Internal Audit Report: Information Governance (February 2018)

4.1 The audit had identified 4 areas where there was significant assurance and 2 areas where there was moderate assurance. Ms Brown summarised the outcomes of the audit and the 4 areas requiring further attention:

- Attendance at the IGAB and IGWG meetings is low, averaging 49% and 60% for the first three meetings of 2017.
- No controls are in place to confirm reassessment of information assets according to their risk rating.
- Completion of mandatory training in some areas is below Board target of 80%, for example the Edinburgh Partnership; General Medical Services has a 53% completion rate, from a head count of 157.

- The governance structure for Information Governance involves a sub-committee and a working group. As a result the Healthcare Governance Committee may not have overall responsibility for Information Governance, increasing the risk that relevant matters are not included, reported, or receive sufficient attention.

4.2 The Chief Internal Auditor advised that she was content with the management response and deadlines proposed. She also noted that internal audit are members on the GDPR working group.

4.3 Members noted that NHS Lothian was in a good position compared to their colleagues in other regions, following action take to anticipate the impact of the new General Data Protection Regulations

4.4 Mr McQueen requested that Ms Brown number each section of the internal audit reports for ease of reference.

JBr

4.5 The committee accepted the report.

Professor McCallum left the meeting.

Tracey Gillies entered the meeting.

5. Internal Audit Report: Consultant Job Planning (February 2018)

5.1 Of the 8 control objectives, the internal auditors concluded that 2 had significant assurance, 4 had moderate assurance, and 1 had no assurance.

5.2 Miss Gillies explained that NHS Lothian was into its third year of implementing an electronic system (Zircadian) for job planning. There are three levels of sign-off in the system for job planning, and issues can be held up in this process. For many consultants their job plans do not change from one year to the next. Notably the process is to be completed in the final quarter of the year, during winter, which is the worst time of year in terms of demand on the service. It is a prospective process, and it would be helpful if it could be clearer at an earlier stage what the clinical models and activity needs to be. At the moment it is not clear what the root causes are as to why the plans are not signed off on time. Miss Gillies confirmed that it is necessary to make improvements in this area, and sensibly use the levers which are available to do so.

5.3 Ms Campbell informed the committee that the information within the job planning is used to inform service planning, e.g. the theatre improvement programme. The aspiration is that all job plans will be evidently linked to service plans.

5.4 Mr Ash welcomed the discussion and the further information which Ms Gillies provided. He highlighted that the management response within the internal audit was light and would have been better if it was more detailed. Mr Murray commented that there needs to be greater visibility of all the things management are doing on this subject, and its relationship to service planning. Mr McQueen commented that the various 1-1 meetings will take up a lot of resource to organise and conduct, and Miss Gillies advised that it was a right within the consultant contract. Members took assurance from Miss Gillies' feedback and the overview she provided at the meeting that management were on track and making good progress to address the issues identified in the audit.

5.5 Miss Gillies agreed to provide a follow-up report to the committee's meeting on 23 August 2018. The Chair requested that the follow-up report includes a briefing on the background and the key issues, as had been highlighted in the discussion.

5.6 The committee accepted the internal audit report.

6. Internal Audit Report: Network Management (March 2018)

6.1 Of the 6 control objectives, the internal auditors concluded that 4 had significant assurance, and two had moderate assurance.

6.2 The Committee accepted the report.

7. Risk Management (Assurance)

7.1 NHS Lothian Corporate Risk Register - Ms Bennett presented the report setting out NHS Lothian's Corporate Risk Register for assurance.

7.1.1 Ms Bennett reported that work was in progress with the Edinburgh IJB to link common risks. She highlighted that the governance committees continue to oversee the corporate risks which are pertinent to their remit. The scoring of corporate risks remains static.

7.1.2 Ms Bennett highlighted that in the Board development session in May, it will be an opportunity to consider how useful the risk appetite and tolerances are. She highlighted that many of the risks are process measures, which are arguably barometers rather than actual risks to objectives. Ms Bennett informed the committee that while other NHS Boards have similar issues, some make a clear distinction between strategic risks and escalated operational risks.

Dr Watson entered the meeting.

7.1.3 Mr McQueen highlighted that it would be appropriate to consider whether risks are being expressed appropriately, given that some of the corporate risks are not moving.

7.1.4 The Committee agreed that the Board development session in May is welcome, and the Board should be actively considering risk in this way at least annually.

Ms Livingston entered the meeting.

7.1.5 In the past Ms Bennett had looked to other Boards to see how Lothian compared and if there were lessons to be learnt, and future work would focus on looking to similar industries to see if lessons could be learnt.

7.1.6 The Committee acknowledged that the corporate risks have undergone a review to improve the expression of risk, controls and actions.

7.1.7 The Committee accepted significant assurance that the current Corporate Risk Register contains all appropriate risks, which are contained in section 3.2 and set out in detail in Appendix 1.

7.1.8 The Committee accept that as a system of control, the governance committees of the Board assess the levels of assurance provided with respect to plans in place to mitigate the risks pertinent to the committee's remit.

8. Internal Audit (Assurance)

8.1 Internal Audit Progress Report – April 2018 – Ms Brown gave an overview of internal audit activity since the February meeting, and confirmed the reviews planned for the coming quarter, identifying any changes to the original audit plan.

8.1.1 The report highlighted poorer performance on the key performance indicator relating to internal audit producing draft a report within 15 days of completing the fieldwork. Mr McQueen asked whether this measure was achievable. Both Ms Brown and Mr Brown confirmed that the measure is reasonable, and Ms Brown advised that work will continue to improve performance in this respect.

8.1.2 Ms Brown reiterated the staffing position within internal audit and her intention to use management trainees to boost capacity within the team. She assured the Committee that the current capacity within the team was sufficient to complete the 2018/19 audit plan.

8.1.3 The Committee accepted the report.

8.2 Follow-Up of Management Actions Report (April 2018) – as at April 2018 there were 8 outstanding management actions, a vast improvement to previous reports. The Chair expressed thanks to the members of the Corporate Management Team for their assistance in driving forward progress, and asked for this to be fed back.

8.2.1 The Committee accepted the report.

9. Counter Fraud Services (Assurance)

9.1 Counter Fraud Activity – Members noted that the update from Counter Fraud services had been deferred until the June meeting.

10. External Audit (Assurance)

10.1 Audit Committee Progress Report – Mr Brown and Ms Scanlin went through the report in detail drawing the committee's attention to the areas that related transparency and withdrawal from the EU and waiting times, and recognising that Professor Bell's report on the emergency access standard has not been published yet.

10.2 The external auditors noted that NHS Lothian was a leader in corporate reporting and they were reassured by the good practice and processes in place, given the current pressures that the organisation faces.

10.3 Mr McQueen requested that future external audit reports contain paragraph number for ease of referencing.

10.3 The Committee accepted the Audit Committee Progress Report.

11. Corporate Governance (Assurance / Decision)

11.1 Accounting Policies – It was noted that there were no changes to the accounting policies.

11.1.1 The Committee agreed to approve the accounting policies and confirm that they were appropriate for the Board at the present time for the purpose of giving a true and fair view.

Miss Gillies and Ms Livingston left the meeting.

11.2 Write-Off of Overseas Debts - It was noted that the Board's Scheme of Delegation requires that any loss or special payment that was greater than the Board's delegated limits must be referred to the Audit & Risk Committee before an application was made to the Scottish Government to approve the loss or special payment. This report had been prepared for that purpose for the proposed write-off of three losses.

11.2.1 There was some discussion on issues surrounding General Practice and the provision put in place under the new GMS contract to mitigate future losses. It was noted that the process in place for non-resident patients were robust and the Finance & Resources had taken significant assurance from a report on that subject at its last meeting.

11.2.2 There was some discussion on how the UK's departure from the EU would impact such cases. Mr Payne advised that he had prepared a briefing on BREXIT risks for directors to consider, and the treatment of people who are currently resident in the EU is captured in this.

11.2.3 The Committee reviewed appendices 1, 2 and 3 and confirmed that the Director of Finance may approach the SGHSCD for its approval to write-off these losses.

11.3 Progress Report on Matters Relating to 4 Hour Emergency Standard – It was noted that NHS Lothian was fully committed to improving unscheduled care services for patients and also the experience of our staff. Ms Campbell advised that management are developing a robust communication plan to support the immediate actions once the reports are received.

11.3.1 The Committee noted the process and progress of actions in response to the internal audit and the significant adverse event processes.

11.3.2 The Committee noted the progress of the Scottish Government commissioned Academy of Medical Royal colleges Review chaired by Professor Derek Bell.

11.3.3 The Committee accepted the update on the evolution of the improvement plan developed in response to the internal audit report and the Serious Adverse Event processes and note the monitoring processes behind it.

11.3.4 The Committee agreed to accept that Staff Experience Improvement plan is now being developed at a site level in response to staff feedback. The feedback indicated that the improvement plan should be re-developed at site level to ensure co-production and ownership, while demonstrating evidence of learning and improvement aligned to the findings and recommendations of the two internal review processes.

11.3.5 The Committee agreed that it had moderate assurance that the leadership team have responded appropriately and timeously to the findings and recommendations of the internal audit review and SAE process, and will be able to respond quickly to review report when it is published. All three were

commissioned to investigate the operation of, and compliance with, extant policies, standard operating procedures (SOPs) and performance management arrangements relating to the management, recording and performance reporting of waiting times and access breaches in the four Emergency / Front Door departments in NHS Lothian, and impact on staff experience. In response, robust governance structures have been established to oversee organisational improvement and learning.

11.4 Access and Governance Committee Update – Dr Watson introduced the report informing the Committee of key developments in relation to the Access and Governance Committee.

11.4.1 Since the previous update, a 6 monthly update had been considered by the Corporate Management Team. The first three recommendations detailed within table 1 had been completed and the remaining 6 were long term ambitions with no clear resolution. One material change to the status of the committee was the inclusion of the Deputy Chief Executive being in attendance.

11.4.2 The Committee welcomed the credence the participation of the Deputy Chief Executive would bring to the forum and his assistance in the resolution of issues.

11.4.3 Mr Crombie highlighted that there is work being taken forward at a regional level aimed at reducing demand at the front door and facilitating early discharge from hospital, which should impact on the performance against the emergency access standard.

11.4.4 The Committee accepted a limited level of assurance from the processes in place and the progress to date.

11.4.5 The Committee requested a further update on the Access and Governance Committee for June.

SW

Dr Watson left the meeting.

11.5 Review of the Standing Orders – Mr Payne introduced the report, highlighting that the review is an opportunity to simplify the standing orders by removing the existing provisions for members to raise motions at meetings of the Board.

11.5.1 Mr McQueen highlighted a point for the Chairman to consider. This related to when the Chairman elected not to include an item in the agenda for the Board, and whether the Chairman should inform all the Board members as to the reason why, rather than just the member who proposed the item.

11.5.2 The Committee reviewed the proposals and agreed to recommend to the Board that it amends its standing orders to put these proposals into effect, subject to Mr Payne clarify the above item with the Chairman. AP

12. Any Other Competent Business

12.1 There was no other business.

13. Date of Next Meeting

13.1 The next meeting of the Audit and Risk Committee would take place at 9.00 on Monday 18 June 2018 in Meeting Rooms 8 & 9, 5th Floor, Waverley Gate.

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday, 18 June 2018 in Meeting Room 8 & 9, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present:

Mr M Ash (Chair), Non-Executive Board Member; Mr B McQueen, Non-Executive Board Member; Mr P. Murray, Non-Executive Board Member; Mr M Connor Non-Executive Board Member and Councillor J McGinty, Non-Executive Board Member.

In Attendance:

Ms J Brown, Chief Internal Auditor; Mr C Brown, Scott Moncrieff; Mr P Clark, Internal Audit Manager; Mr J Crombie, Interim Chief Executive; Mr D Eardley, Scott Moncrieff; Ms S Gibbs (Deputising for Ms J Bennett); Ms S. Goldsmith, Director of Finance; Mr B. Houston, Board Chairman; Ms D Howard, Head of Financial Services; Ms B Livingston, Finance Manager – Corporate Reporting; Mr C. Marriott, Deputy Director of Finance; Professor A McCallum, Director of Public Health and Health Policy; Professor A McMahan, Executive Director Nursing, Midwifery & AHPs; Mr J. Old, Financial Controller; Mr A Payne, Head of Corporate Governance; Ms G Scanlin, Scott Moncrieff; Dr S. Watson, Chief Quality Officer and Miss L Baird, Committee Administrator.

Apologies:

There were no apologies for absence.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Nobody declared an interest.

14. Minutes of the previous meeting held on 23 April 2018.

- 14.1 The minutes of the meeting held on 23 April 2018 were accepted as an accurate record.

15. Running Action Note

- 15.1 Acute Hospitals Committee – The workshop had been successful and clarity going forward was obtained. Minutes of the workshop were available upon request. It was agreed that the action would be marked as complete. **AP**

- 15.2 Risk Management – There was no further update at present. Work to strengthen links between the integration joint boards (IJBs) and the Audit & Risk Committee remained in progress.

- 15.3 The Committee noted the actions marked complete and those that were not due for consideration detailed within the report.

15.4 The Committee accepted the running action note.

16. Internal Audit (Assurance)

16.1 Internal Audit Progress Report (June 2018) – The previously circulated report was noted. Attention was drawn to 7 audits of which 6 draft reports had been attached as appendices and were considered as part of the overall internal audit opinion. Of the 3 IJB audits requested 1 had been finalised.

16.1.1 Ms Brown confirmed that she was content with the management response and noted that the backlog could be attributed to the front end of the year where there had been a lack of capacity within the team to discharge their duties.

16.1.2 The Committee accepted the Internal Audit Progress Report June 2018.

Mr Crombie entered the meeting.

16.2 Midlothian IJB Transitional Funding (May 2018) – The previously circulated Midlothian IJB Transformational Funding May 2018 report was received. Two areas of concerns related to how transformational funding was being spent including project time scales and effective reporting of progress against the plan to the IJB Board.

16.2.1 The members discussed whether the investment by IJBs has led to transformation, and what the impact of the funding has actually been. Ms Brown advised the Committee that this was beyond the scope of this particular audit, and that it is quite likely that Audit Scotland may cover this ground in their annual overview report. Mr Crombie highlighted that it each IJB was a governing board in its own right, and had to publish its own annual accounts and performance report, and determine how it will monitor the impact of its decisions on outcomes. Ms Brown confirmed that the internal audit report will be shared with the other IJBs.

16.2.2 There was agreement that the IJBs and Primary Care need to pull together all transformational funding into a single framework, tied to the improvement plans to ensure that its duties were discharged appropriately. Through there improvement plans they should demonstrate how monies are being used in line with government direction. Members remained mindful of the overlap in services and the need to explore how it can be presented in future reports.

16.3 Follow Up of Management Actions Report (June 2018) – The previously circulated report on the follow-up of management actions was received.

16.3.1 With regard to the subject of business continuity, Mr McQueen enquired who determines what the organisation's key systems actually are. Ms Brown advised that management have established a Resilience Committee, however it was not known which governance committee oversees business continuity. The Chair requested that a report be brought back to the August meeting providing assurance as to how the Resilience Committee feeds into the governance structure, and how the organisation determines what its key systems are. **AP**

16.3.2 The Committee agreed to accept the report.

16.4 Internal Audit Annual Report 2017/18 (June 2018) – Members attention was drawn to the audit opinion detailed at 5.3 of the report.

16.4.1 The Committee accepted the Internal Audit Annual Report 2017/18 as a moderate source of assurance.

16.5 The Chair thanked the Chief Internal Auditor and her team for the exemplary work carried out over the year and welcomed the links to the IJBs.

17. Risk Management (assurance)

17.1 NHS Lothian Corporate Risk Register – Ms Gibbs spoke to the previously circulated report. She drew attention to the discussion at the Board Development session.

17.1.1 The Chair invited the members present to reflect on the discussions at the Board development session and confirm that they were heading in the correct direction.

17.1.2 Mr Murray expressed concerns that the risk register did not reflect whole system responses to risk and going forward he hope to see future reports that consider a shared approach for many risks that was necessary as part of integrated working. Members agreed that this would be covered when building on recommendations identified at the development session.

17.1.3 Mr Houston highlighted that it was essential that the whole system of governance and risk management (including IJBs) has to be capable of effectively overseeing services for patients and delivering the desired outcomes.

17.1.4 The Committee accepted the outcomes from the workshop, and agreed that it would like further detail as to how the processes will be developed, and how the actions in the risk register will reflect the discussion that the Board has had.

17.1.5 The Chair requested that Ms Gibbs liaise with Ms Bennett to bring forward a report in August laying out the proposed way forward including a whole system approach to risk.

JB

17.1.6 The Committee acknowledged the corporate risks have undergone a review to improve the expression of risk, controls and actions.

17.1.7 The Committee accepted significant assurance that the current Corporate Risk Register contains all appropriate risks, which are contained in section 3.2 and set out in detail in Appendix 1.

17.1.8 The Committee accepted that as a system of control, the Governance committees of the Board assess the levels of assurance provided with respect to plans in place to mitigate the risks pertinent to the committee.

17.1.9 The Committee accepted the recommendations based on the outcome of the Board's May 2018 development workshop, namely:

- to remove the Risk Appetite Statement from NHS Lothian risk documentation
- to remove the risk appetite and tolerance measures
- to examine how to apply the strategic risk framework set out above as agreed at the Board workshop in May 2018.

Ms Brown left the meeting.

- 17.2 Risk Management Annual Report 2017/18 – The Committee reviewed the summary of actions for 2017/18 and the priorities and aspirations for the coming year.
- 17.2.1 The Committee agreed to accept the Risk Management Annual report 2017/18 as a moderate source of assurance.

18. General Corporate Governance (Assurance)

- 18.1 Update on the Access and Governance Committee – Dr Watson spoke to the report. He highlighted that the key developments were:
- The inclusion of the Deputy chief Executive in the membership of the Committee.
 - Increased attendance and engagement from the service including active involvement in raising issues for discussion compared to the previous waiting times governance led approach.
 - A comprehensive 4 hour action plan based on the Internal Audit report and SAE review, which would be considered further in light of the external reviews being released.
- 18.1.1 Attention was drawn to inaccuracy in waiting times reporting surrounding podiatry though not an official waiting times target, issues relate to consistency and accuracy of reporting to ISD should be addressed. It was anticipated that a report would be brought to the Audit and Risk committee following the submissions to the Corporate Management Team.
- 18.1.2 It was noted that the waiting times governance team were actively looking at and correcting issues. It was key that the team had the ability to do sense checks when a new connection was made to mitigate future risk.

Mr Old entered the meeting.

- 18.1.3 Outcomes from the external review had released but remained embargoed until released in the public domain. Work to address recommendations within the external review was in progress. NHs Lothian would continue to work to support staff in this turbulent time.
- 18.1.4 The Committee accepted a limited level of assurance from the report.
- 18.1.5 The Committee noted the impact of the recast terms of reference and membership, including recent participation of the Interim Chief Executive.
- 18.1.6 Members anticipated a further update on the progress of the Access & Governance Committee at its August meeting.

19. Counter Fraud (Assurance)

- 19.1 Counter Fraud Activity - The Committee accepted the report as a briefing on the current status of counter fraud activity. The Committee agreed that the report provided a significant level of assurance that all cases of suspected fraud are accounted for and appropriate action was taken.

19.2 Fraud Referrals & Operations for year ended 31 March 2018 – There was some discussion surrounding overseas patients and training of staff. Members noted the complexity of the issue in that immigration was UK wide and Health was devolved in Scotland. All non-resident patients would retain access to emergency treatment. Any other treatment would be chargeable.

19.2.1 The Committee accepted the report as a summary of the Counter fraud activity within the year. The Committee agreed that the report provided a significant level of assurance that all cases of suspected fraud were accounted for and appropriate action was taken.

20. General Corporate Governance (Assurance)

20.1 Royal Infirmary of Edinburgh Pharmacy Cold Room Failure – Loss of Medicines – the report to advised the Audit & Risk Committee of the loss of medicines above the Boards delegated limit which would require approval by the Scottish Government Health & Social Care Directorate.

20.1.1 Members noted that the Director of Finance and the Interim Chief Executive were in ongoing dialogue with Consort regarding their performance and were actively pursuing recompense for the loss of the medicines.

20.1.2 The members discussed the actions which could be taken to pre-empt future losses, e.g. back-up systems, anticipatory systems of control by the contractors. Ms Goldsmith and Mr Crombie agreed to pick up mitigating actions as part of the ongoing dialogue with Consort.

20.1.3 The Committee confirmed that the Director of Finance could approach the SGHSCD for its approval to write-off the loss of medicines to the value of £231,100 due to two cold room failures.

20.1.4 The Committee accepted the report as a source of moderate assurance that management were taking contributory factors resulting in this event and seek to recover the losses.

20.2 Introduction to the Committee Annual reports – Mr Payne introduced the 2017/18 annual report format and the Committee accepted the briefing detailed therein.

20.3 2017/18 Annual Report from the Healthcare Governance Committee – The Committee accepted the report as a significant source of assurance.

20.4 2017/18 Annual Report from the Finance and Resources Committee - Ms Goldsmith gave a brief overview of the report. She drew attention to the key issue; long term financial sustainability. She noted that the report offered limited assurance as the Committee were unable to demonstrate levels of improvement or sustainable systems to deliver financial targets and performance at present. Mr Ash commented that he would like future reports to have more detail on the actions being taken to address areas of weakness.

20.4.1 Mr Murray requested that Ms Goldsmith ensure that the agreed steps within the annual report marry up with the detail of the risk register. Ms Goldsmith agreed to pick this matter up through the review of the risk register.

SG

- 20.4.2 The Committee agreed to accept the 2017/18 Annual report from the Finance and Resources Committee as a source of assurance to support the Governance Statement.
- 20.5 Staff Governance Committee Annual Report period report 2017/18 – the Committee noted the report and actions carried out over the 2017/18 period detailed therein.
- 20.5.1 Professor McMahon spoke to the report noting that there had been significant progress made against violence and aggression since January 2018. NHS Lothian was heavily involved in the process of implementation for new legislation, in the past this had not went well so focus would be on improvement. It was noted that the principles would be implemented in the coming year however the legislation would not be fully implemented until 2020.
- 20.5.2 The Committee agreed to accept the report as a source of assurance to support the Governance Statement.
- 20.6 Information Governance Sub-Committee Annual Report 2017/18 – the Committee noted the report and the actions carried out over the 2017/18 period detailed therein.
- 20.6.1 Members noted that the Information Governance Sub-Committee’s governance status was formalised in January 2018. Limited assurance had been provided in respect of the directorate statements of compliance, however there were no significant concerns.
- 20.6.2 The Committee agreed to accept the report as a source of assurance to support the Governance Statement.
- 20.7 Acute Hospitals Committee Annual Report 2017/18 – the Committee noted the report and the actions carried out over the 2017/18 period detailed therein.
- 20.7.1 Limited assurance was taken whilst a process of reform was undertaken within the Acute Hospitals Committee. The Committee agreed to accept the report as a source of assurance to support the Governance Statement.
- 20.8 National Services Scotland Service Audit Reports 2017/18
- 20.8.1 No material issues had been raised therefore the Committee agreed to accept the reports from the service auditors as a source of significant assurance with respect to the systems of internal control relating to the National Single Instance financial ledger, practitioner services and the National IT Services contract.
- 20.9 Schedule of Losses – SFR 18.0
- 20.9.1 The Committee agreed to take a significant level of assurance on the internal losses controls and that the Board were continually reviewing and evaluating changes to improve the effective systems for internal financial controls.
- 20.9.2 It was noted the high losses associated with Pharmacy stock had been examined by the Committee last year. The Committee concluded that it would like to review the factors underpinning the loss, given that it was of a similar scale in 2016/17.

The Committee agreed that a further report on this subject should be presented to the August Meeting. DH

20.9.3 Ms Howard advised that the debt in respect of salaries would be resolved in the coming year due to the conclusion of the salary sacrifice scheme. NHS Lothian would continue to pursue these debts.

20.10 Edinburgh and Lothian's Health Foundation Annual Report and Accounts 2017/18

20.10.1 Mrs Goldsmith assured the Committee that they were a clean set of accounts, and there were no issues raised.

20.10.2 The Committee accepted this report as a source of significant assurance that management have prepared the Annual Report and Financial Statements of the Foundation for 2017/18, Scott-Moncrieff have carried out an external audit of the accounts, and have provided an unqualified audit opinion.

20.11 Patients Private Funds Annual Accounts 2017/18

20.11.1 The Committee agreed to:

- Accept the management letter from Scott-Moncrieff as a source of significant assurance in relation to the draft annual accounts and the underlying systems of internal control.
- Recommend to the Board that the Chairman and Acting Chief Executive sign the "Statement of Lothian NHS Board Members' Responsibilities" on the Board's behalf.
- Recommend to the Board that following the Board's consideration, the Director of Finance and the Acting Chief Executive sign the "Abstract of receipts and Payments" (SFR19.0).
- Recommend to the Board that the Board approve the draft Patients' Private Funds accounts for the year ended 31 March 2018.

21. Annual Accounts (decision)

21.1 Governance Statement

21.1.1 The Committee accepted this report as a source of significant assurance that the process to develop the Governance Statement was consistent with the associated instructions and good practice.

21.1.2 The Committee reviewed the Governance Statement, did not identify any further required disclosures, and agreed it should be included in the annual accounts.

21.2 Management Representation Letter

21.2.1 The Committee reviewed the draft Representation Letter to the external auditors confirmed that the statements represented confirmation to the external auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2018, and agreed to recommend that the letter be signed by the Chief Executive of NHS Lothian.

21.3 NHS Lothian Annual Audit Report 2017/18

21.3.1 Mr Brown, Ms Scanlin and Mr Eardley gave an overview of the report highlighting how the report was collated, key findings and the audit certificate.

21.3.2 The Committee accepted the report as a source of assurance to inform its review of the annual accounts.

21.4 NHS Lothian Annual Accounts for Year End 31 March 2018

21.4.1 The Committee agreed to recommend to the Board that they adopt the Annual Accounts for the year ended 31st March 2018 and recommend to the Board to authorise the designated signatories to sign the Accounts on behalf of the Board.

21.5 Audit Committee Annual Report and Assurance Statement 2017/18

21.5.1 The Committee reviewed the draft report, and specifically considered whether the following sentence (from Section 1) is appropriate:

“At its meeting of 18 June 2018, the Committee concluded that it has had adequate access to resources in order to properly discharge its responsibilities as set out in its terms of reference.”

21.5.2 The Committee approved the annual report and assurance statement 2017/18.

21.6 Notification to Scottish Government Health Department Health and Wellbeing Audit Committee

21.6.1 The Committee approved the letter to the Scottish Government Health & Social Care Assurance Board with the inclusion of a question on how the points raised in the letter informed discussion or decision at the Scottish Government Health & Social Care Assurance Board.

22 **Date of Next Meeting**

22.1 The next meeting of the Audit and Risk Committee would take place at **9.00** on **Monday 27 August 2018** in **Meeting Room 8&9, Fifth Floor, Waverley Gate**.

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday, 27 August 2018 in Meeting Room 8 & 9, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present:

Mr M Ash (Chair), Non-Executive Board Member; Mr B McQueen, Non-Executive Board Member; Mr P. Murray, Non-Executive Board Member; Mr M Connor Non-Executive Board Member.

In Attendance:

Ms J Brown, Chief Internal Auditor; Mr C Brown, Scott Moncrieff; Ms J Bennett (Associate Director for Quality Improvement & Safety); Dr B Cook (Medical Director – Acute Services); Mr J Crombie, Interim Chief Executive; Ms M Cuthbert (Associate Director of Pharmacy Acute & SCAN); Ms S. Goldsmith, Director of Finance; Mr B. Houston, Board Chairman; Ms A Langsley (Training Manager); Ms B Livingston, Finance Manager – Corporate Reporting; Professor A McMahon, Executive Director Nursing, Midwifery & AHPs; Mr A Payne, Head of Corporate Governance; Ms M Pringle (Chief Finance Officer, Edinburgh IJB); Professor A Timoney (Director of Pharmacy); Dr S. Watson, Chief Quality Officer and Miss L Baird, Committee Administrator.

Apologies:

Councillor J McGinty.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. The Chair declared an interest in the Edinburgh IJB paper as a member of the Edinburgh Integration Joint Board (IJB) and the IJB Audit Committee.

23. Minutes of the previous meeting held on 18 June 2018.

23.1 The minutes of the meeting held on 18 June 2018 were accepted as an accurate record.

24. Running Action Note

24.1 Acute Hospitals Committee – The Committee noted that the action was complete.

24.2 Risk Management – Members agreed to pick up actions against the risk register under item 3.1 of the agenda.

24.3 Internal Audit Progress Report (February 2018) – the Chief Internal Auditors Group would meet early October to discuss the audit approach to homecare; a more detailed update was anticipated following the meeting.

- 24.4 Follow-Up of Management Actions (June 2018) – Members noted that Professor McCallum would bring forward a report to respond to a supplementary question on lessons learned from business continuity and resilience systems to the Committee on 26 November.
- 24.5 2017/18 Annual Report from the Finance and Resources Committee – Ms Goldsmith assured the Committee that links were being made against financial strategy and the priorities of the Board. This would be seen in the proposed Q1 Review scheduled for discussion at the September Finance and Resources Committee. The Q1 Review would ensure clear choices between financial strategy and performance.
- 24.6 The Committee accepted the running action note.
- 24.7 Update on the Actions from Internal Audit: Consultant Job Planning – Dr Cook spoke to the report. He highlighted the considerable effort than been put into the completion of job plans; 759 (85%) job plans were complete and progress since the production of the paper saw that figure rise to over 90%.
- 24.7.1 Ms Brown advised that she was content with the progress against the management actions and the evidence in place to close of the actions.
- 24.7.2 Members noted that 100% was not a realistic or achievable target given staff turnover, maternity, paternity and long term sick leave in NHS Lothian.
- 24.7.3 Dr Cook advised that the benefit associated with the completion of job plans was a heightened awareness of capacity within each service where there was previously none. A failure to complete job plans can also have a negative impact on morale, should there be a variation of workload amongst members of a team. In Dr Cook's opinion completing job plans would not only be beneficial for staff but also patients where capacity met demand.
- 24.7.4 Members discussed the mandatory process and previous non-compliance to the process. They questioned what expectations were places on staff to complete job plans. Dr Cook advised the members that all consultants were expected to complete a job plan. He anticipated that by 2019/2020 discussions would be more straight forward and in line with service requirements rather than a reiteration of areas of existing agreement.
- 24.7.5 The Committee took moderate assurance from the attached actions as evidence that actions identified had been completed, and will contribute to the usefulness of job planning as a tool to ensure that consultant time and expertise was directed towards activities that meet the board's strategic and operational priorities.
- 24.7.6 The Committee agreed to accept the report.
- 24.8 Pharmacy Losses and Gains 2017-18 – Ms Cuthbert spoke to the report noting the key issues and provided assurance that pharmacy stock was effectively managed, losses were minimised, and that management had reviewed the accounting practice, taken the advice of the external auditor, and had agreed a new approach which would be applied for 2018/19 and subsequent years.
- 24.8.1 Members were advised that excluding the fridge incident at the RIE, financial stock loss within the financial year would have been £205k which would equate to 0.2% of the total stock well within the key performance indicator of <0.4%.

- 24.8.2 Ms Cuthbert drew the Committees attention to the benchmarking report and noted that NHS Lothian was the third largest organisation that participated in the benchmarking exercise. Based on hospital beds, NHS Lothian's medicines cost per 100 beds was below the UK and Scottish average. Work to learn from colleagues within other organisations to mitigate future incidents was in progress.
- 24.8.3 Members accepted that some errors were attributed to the human aspect of the system. Given the complexity and nature of the systems in place some human error was inevitable; these would be dealt with on a continuous basis to ensure that errors were investigated in a timeous manner and recorded appropriately.
- 24.8.4 Ms Cuthbert advised that the procedure detailed for fridges on wards later on the agenda would have no bearing or impact on the outcome of the fridge incident and the losses seen within the central pharmacy. Central Store policy called for a higher level of scrutiny of the fridge sheets. Future occurrences would be mitigated by removing the human aspect of the system and the implementation of an automated text being sent to the Pharmacist on call.
- 24.8.5 Mr Crombie advised the Committee that access to medicines and workforce planning following Brexit would be pursued at a national level.
- 24.8.6 The Committee agreed to accept the report as a source of significant assurance that there was an adequate & effective system of control in place, with standard processes in place, to minimise loss of medicines within the pharmacy service accredited to ISO9001 (2015) standards.
- 24.8.7 The Committee agreed to accept that the NHS Lothian Pharmacy service met the key performance indicator of less than 0.4% of stock loss from total annual stock turnover with the fridge incident excluded.

Mr Houston entered the meeting.

- 24.8.8 The Committee agreed to accept the report as a source of significant assurance that management had reviewed the accounting practice, taken the advice of the external auditor, and had agreed a new approach which will be applied for 2018/19 and subsequent years.

25 Risk Management (Assurance)

- 25.1 Risk Register - Ms Bennett spoke to the report drawing out the key points within the report. She drew the Committees attention to the review of the strategic framework and the first test against the strategic framework related to delayed discharges.
- 25.1.1 Members noted the importance of the delayed discharges review, in identifying what is the definition of the risk was, who owned the risk and provides assurance, what plans were in place to proactively and/or reactively manage the risk and do they address key aspects of the strategic framework and what impact do the plans have on mitigating the risk. It was anticipated that reviewing risks in such a way would give a rounded view on risk.
- 25.1.2 There was some discussion on how to best communicate the outcome of the review to the Governance Committees and partners to ensure cooperation over the respective parts of each risk. Members agreed that IJB directions needed to feature as part of the revised approach. It was imperative that the risks were not seen as health centric and solely lead by the Board. It is essential to find a way for organisations to work together in a meaningful way, so as to address fundamental risks.

JBenn

25.1.4 Mr Ash commented that there needs to be a process to share this work with the integration joint boards and their audit committees.

Dr Cook left the meeting.

25.1.5 Members agreed that it was important that the complexity of the arrangements for integration to not be a barrier to progress. Members proposed that a report go to the Board in December 2018 and a further development session on risk be added to the diary as part of a yearly review on risk. Mr Houston advised that he would prefer for there to be a report to the Board, rather than a development session. Feedback would be seen in the running action note relating to the wider issues of engagement, followed by a revised paper would be brought back to the Audit and Risk Committee following discussions at the Board in December.

J Benn/ BH

25.1.6 Mr McQueen raised specific concerns on the action that proposed; The Board and Governance committees of the Board need to assure themselves that adequate improvement plans were in place to attend to the corporate risks pertinent to the committee. These plans are set out in the Quality & Performance paper presented to the Board and papers are considered at the relevant governance committees. Governance Committees continue to seek assurance on risks pertinent to the committee and level of assurance along with the summary of risks and grading was set out below in Table 1. He advised that he was unclear what mechanism was in place to draw member's attention to the necessary risks so as to discharge the duties required on himself as a Board member. The Chair advised that there was regular oversight of risks through the risk register and the quality and performance paper to the Board, noting that the Audit and Risk Committee had the opportunity to dig into risk when concerns were raised and has done so in the past.

25.1.7 There was some discussion on how risk was linked to management actions within internal audits. Ms Brown agreed to consider how this could be best highlighted in internal audit reports.

JBr

25.1.8 The Audit and Risk Committee agreed to:

- Accept significant assurance that the current Corporate Risk Register contains all appropriate risks, which are contained in section 3.2 and set out in detail in Appendix 1.
- accept that as a system of control, the Governance committees of the Board assess the levels of assurance provided with respect to plans in place to mitigate the risks pertinent to the Committee
- Accept the refreshed Risk Management Policy and recommend to the Board for approval.
- Accept the recommendation to review further NHS Lothian's Risk Register within the context of the Board's May 2018 workshop and feedback from committee members with respect to single system approach to risk.

26. Internal Audit (Assurance)

26.1 Internal Audit Progress Report (August 2018) – The previously circulated report was noted. Ms Brown reported that since the June meeting 7 reports had been

finalised. There were no concerns related to the progress of internal audits to date.

26.1.1 The Committee accepted the Internal Audit Progress Report August 2018.

26.2 Reports with all control objectives have significant assurance (August 2018) – Ms Brown spoke to the report. She noted that the two reports covered big topics under a limited scope that focused on processes. The two reports were titled ‘Healthcare Governance – Governance Arrangements in place over Child Protection Services’ and ‘East Lothian – Delayed Discharges’.

26.2.1 The Committee accepted the reports with all control objectives that have significant assurance.

Mr Crombie left the meeting.

26.3 Complaints Management (June 2018) - Ms Brown noted that there had been a significant work done to tighten up the process surrounding complaints. She drew the Committees attention to the limited assurance provided in respect of lessons learnt and how they were cascaded through the organisation.

26.3.1 Professor McMahon commented that it was not the responsibility of the central complaints team to disseminate learning; he proposed that the responsibility should sit with the organisation within the management line.

26.3.2 Members noted the work of the Feedback and Improvement Quality Assurance Working Group over the last 2 years in light of concerns raised by the SPSO and the meeting in September dedicated to discussing feeding back learning through the organisation.

26.3.3 Mr Houston supported Professor McMahon’s response, advising that it was imperative that as an organisation the Board must drive forward improvement on the back of data collated. As an organisation we need to improve how we generate lessons learned from all feedback. It was for the CMT and the Chief Executive to consider how the organisation moves into the feedback arena. In his opinion the primary vehicle would be the quality programme.

Mr Connor highlighted that lessons can be learned at three distinct levels. There are lessons for specific areas, lessons which can be shared and used by other operational areas, and strategic/ cultural lessons which should be built into the organisation’s overall approach to quality.

26.3.4 Mr Ash suggested that there needs to be an executive lead for organisational learning.

26.3.5 The Committee agreed to accept the report on complaints management.

Mr Houston left the meeting.

Ms Pringle entered the meeting.

26.4 Edinburgh IJB – Performance Target Data (May 2018) – Ms Brown spoke to the report drawing the Committee’s attention to two areas where no assurance had

been given. She highlighted that timescales and performance objectives had not been clearly stated for all directions, reporting arrangements for directions had not always been stated and performance information was not always reported to committee with the required frequency. A key challenge is aligning performance data back to the original IJB directions.

- 26.4.1 Ms Pringle noted that the management response recognised the findings within the internal audit report but acknowledged the newness of the directions within the IJB and the work required to make process more robust and smarter. Moving forward the IJB would review the governance surrounding the directions how it and its sub-Committees get assurance and report against key directions.
- 26.4.2 It was noted that directions were brought forward in June 2015 and may not be considered new. However, members recognised the volume of directions was an issue, and that there has been limited guidance on directions. Members welcomed work to streamline directions so that they become more measurable. Ms Pringle acknowledged that Edinburgh IJB had used directions as a strategic plan 'work plan', which on reflection had not been an effective approach.
- 26.4.3 Mr McQueen advised of a recent seminar at the West Lothian IJB on directions. Lessons from the seminar were that:
- Directions should be set for what you wish to achieve and be high level with clear performance systems.
 - The approach was that of Commissioner/ Provider allowing the IJB to have clear procurement processes with a clear expectation of return for the money ensuring success and improvement.
 - Infrastructure and processes were essential to support the disbursement of resources.
- 26.4.4 The Committee recognised that it was perhaps irrelevant, from a learning perspective, that this particular audit was carried out in Edinburgh. Integration joint boards are different and approach directions in different ways, however they could all learn from this audit. The organisation needs to be assured that there is an infrastructure in place to facilitate a robust system for IJB directions, and monitoring of the same. Mr McQueen highlighted a risk as to whether the analytical services function has the capacity to provide the performance information that IJBs may require. .
- 26.4.5 Members expected that the issues raised by the Committee would feature in the Audit Scotland report following their review. Members anticipate sight of the report and outcomes detailed within.
- 26.4.6 Ms Goldsmith highlighted that it was important that performance metrics did link to strategic objectives, such as shifting the balance of care. She also highlighted that if IJB directions are unclear, then the NHS Board does have a valid and significant interest in this.
- 26.4.7 Mr Ash highlighted that the audit report did concentrate on directions to the NHS Board, however presumably the same issues apply to the IJB directions to the local authority. He proposed that learning from the report should be shared with the other IJBs. Ms Pringle noted that sharing lessons learnt could be done through the standard mechanisms.
- 26.4.8 There was a brief debate surrounding who had commissioned the audit and whether it was appropriate to ask for an update from the Chief Officer. The

Committee noted that the audit was carried out by the Chief Internal Auditor of NHS Lothian and though the resources had been delegated to the IJB reporting lines ultimately lay within the Board. The Chair requested that process should not get in the way of the issues and proposed that it would be in the best interest of both the IJB and the Board to ensure that there was oversight of actions.

- 26.4.9 The Chair referred to the process within the NHS Lothian assurance framework for when no assurance is provided. The following next steps were agreed:
- The Chair would refer the report to the Chief Officer of Edinburgh IJB, and request an update from her for the next Audit & Risk Committee meeting which is on 26 November. He will liaise with Ms Pringle on the form of words for that request.
 - The Chair would also refer the report to the Chief Executive and the Deputy Chief Executive, so that the report may be considered with by the IJB Chief Officers group.
- 26.4.10 Ms Pringle was invited to provide a form of words in respect of the request made to Chief Officer.
- 26.4.11 The Committee accepted the report on the Edinburgh IJB – Performance Target Data.

MA

MP

Ms Pringle left the meeting.

- 26.5 Mandatory Training – Members noted the 3 key findings and the expectation from the Board that 80% of its employees complete mandatory training. It was noted that with the creation of the Mandatory Education & Training Policy and launch of the Tableau Workforce dashboards, an effective control framework was in place for the provision of mandatory training to staff and how this was monitored and reported.
- 26.5.1 Ms Langsley advised that the new policy proposes that 100% of available staff must complete mandatory training. In addition there would be an expectation on those unavailable to complete mandatory training on return to work within a given timeframe.
- 26.5.2 There was some discussion on increasing the Board's expectations for compliance with mandatory training. The report highlighted that currently the target is for 80% of employees to have completed their mandatory training, and the management response stated that 100% was unrealistic and unachievable. . The Committee was informed that that mandatory training was an area of focus for the Staff Governance Committee and with the implementation of TURAS it was expected that review processes and compliance would be improved.
- 26.5.3 Professor McMahon advised that revalidation was a 3 year process and there were other process and arrangement in place to release time for staff to complete mandatory training.
- 26.5.4 The Committee remained concerned with the principle of having a 80% target for something that is classified as 'mandatory' for all employees. The Committee requested that Ms Langsley refer the Committee's concerns on the compliance rate to the Staff Governance Committee, to re-consider the options available to increase the uptake, and provide feedback through the Audit & Risk Committee's running action note.

AL

Ms Langsley left the meeting.

- 26.6 Medicines Management on Wards (June 2018) – Professor Timoney acknowledged the recommendations detailed within the report and drew attention to the proposed work with nursing to resolve them.
- 26.6.1 Members noted that while the Safe Use of Medicines Policy & Procedures set out clear instructions for managing medicines, the requirements of the Policy & Procedures were not always being followed across wards. Professor Timoney reported that she would work with nursing to ensure that compliance to policy and procedures was acknowledged and taken forward.
- 26.6.2 There was a brief discussion surrounding the duty to report the loss of controlled drugs. Members noted that such matters would be addressed by the Local Intelligence Network and the reporting of such losses would be picked up by Area Drug and Therapeutic Committee and reported to the Board through the Healthcare Governance Committee.
- 26.6.3 The Committee agreed to accept the report on medicine management on the wards.

Professor Timoney left the meeting.

- 26.7 Use of Nursing and Midwifery Workload and Workforce Planning Tools – Ms Brown spoke to the previously circulated report. She noted that the area under review comprised five control objectives, of which one received Limited Assurance and four received Moderate Assurance. She acknowledged that one aspect of the recommendations (IT infrastructure) may not be within NHS Lothian's gift.
- 26.7.1 Professor McMahon welcomed the timing of the audit aligning with the safe staffing legislation. He reported that there would be focus on raising awareness and developing better tools and the outputs. There would be a series of workshops to support staff in the use of tools and the confidence to challenge the outcomes. There would be a strategic approach to training, moving up the management line to ensure that there were no excuses for non-compliance.
- 26.7.2 Professor McMahon advised that the national Government posts would only be funded to the end of the financial year. He noted that there had been no previous investment and as a result Boards were playing catch up. It was hoped that the Government posts would provide the necessary expertise within the service to sustain future training for staff.
- 26.7.3 The Committee agreed to accept the recommendations and the actions in place to resolve them.
- 26.8 Follow-Up of Management Actions Report (August 2018) – the Committee accepted the report on the Follow-Up of Management Actions.

27. Counter Fraud (Assurance)

- 27.1 Counter Fraud Activity – Ms Livingston spoke to the previously circulated report. She noted that there had not been much activity since the previous meeting.

27.1.1 There was some discussion on the consistency of detail within the report; Members felt that cases closed, closed, fraud not found, footnotes and actions resulting from decisions taken were not clear within the report. Ms Livingstone and Mrs Goldsmith agreed to work with Mr Old to resolve issues surrounding the format of the update to the Committee, to improve the clarity of the report.

BL/SG/JO

27.1.2 Members were advised that the Fraud Liaison Officers were the conduit between the Board and counter fraud services. It was their responsibility to pass on concerns and matters that required to be escalated to the Police.

27.1.3 The Committee accepted the report as a briefing on the current status of counter fraud activity. The Committee agreed that the report provided a significant level of assurance that all cases of suspected fraud are accounted for and appropriate action was taken.

28. General Corporate Governance (Assurance)

28.1 Scottish Government Audit and Assurance Committee Handbook – Mr Brown presented the report for information, noting that NHS Lothian was further ahead than some of their counterparts.

Professor McMahon left the meeting.

Dr Watson entered the meeting.

28.1.1 Members agreed that Mr Payne should reflect on how best to implement the changes proposed within the document and bring a report to the November meeting.

AP

28.1.2 The Committee agreed to accept the briefing on the Scottish Government Audit and Assurance Committee Handbook.

28.2 Review of the Standing Orders – The Committee reviewed the proposed revised Standing Orders, and recommended them to the Board for its approval.

28.3 Update on the Access and Governance Committee – Members received a summary of the conversations at the Corporate Management Team. Mr Payne informed the committee that the Board had agreed at its August meeting that the Information Governance Sub-Committee was the appropriate governance committee to oversee matters relating to data quality and management.

28.3.1 Dr Watson spoke to the report. He highlighted that the key developments were:

- Increased senior management attendance, and the Board had appointed a non-executive to the membership of the Access & Governance Committee.
- Improved clarity through the development of a Risk Register.
- The development of the governance framework that flags up high risks and a timeframe to address them.

28.3.2 The remit and the resource required to address the identified risks and expansion of the framework was discussed. This would be a mixture of staffing and system development but would vary dependant on risk. It was acknowledged that there was a large step up in the work for Analytical Services in monitoring waiting times governance and it was likely additional resources would be required there.

- 28.3.4 Dr Watson noted that those risks that remain on the agenda but there was possibly no solution contribute to the limited level of assurance provided within the report. He noted that it would not be possible to provide a higher level of assurance at this stage given the 'unknown' areas. He questioned whether the Access and Governance Committee was the right vehicle to address waiting times issues if problems remain unsolved.
- 28.3.5 The Committee sought a report for the November meeting detailing further assurances. If the Audit & Risk Committee could receive moderate assurance, then it would consider transferring the oversight of data quality and management to the Information Governance Sub-Committee.
- 28.3.6 The Committee agreed to:
- Accept the summary of issues presented for Corporate Management Team consideration and the reasons for 'limited' level of assurance.
 - Support the attendance of a Non-Executive Director at Access & Governance meetings.
 - Request an update from the Corporate Management Team following deliberations in October seeking a further level of assurance and whether in fact Access and Governance was the correct route.

29. Any Other Competent Business

- 29.1 There were no other items of competent business.

30 Date of Next Meeting

- 30.1 The next meeting of the Audit and Risk Committee would take place at **9.00** on **Monday 26 November 2018** in **Meeting Room 8&9, Fifth Floor, Waverley Gate.**

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday, 26, November 2018 in Meeting Room 8 & 9, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present:

Mr M Ash (Chair), Non-Executive Board Member; Mr B McQueen, Non-Executive Board Member; Mr P. Murray, Non-Executive Board Member; Mr M Connor Non-Executive Board Member.

In Attendance:

Ms J Brown, Chief Internal Auditor; Mr C Brown, Scott Moncrieff; Ms J Bennett, Associate Director for Quality Improvement & Safety; Mr M Cambridge, Associate Director of Procurement; Mr J Crombie, Deputy Chief Executive; Mr A Elliott, Emergency Planning Officer; Ms S. Goldsmith, Director of Finance; Mr G. Haggerty, Payroll Manager; Ms D Howard, Head of Financial Services; Mr B Joshi, Project Manager; Mr J Old, Financial Controller; Mr A Payne, Head of Corporate Governance; Dr S. Watson, Chief Quality Officer and Miss L Baird, Committee Administrator.

Apologies:

Councillor J McGinty.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest noted.

31. Minutes of the previous meeting held on 27 October 2018.

31.1 The minutes of the meeting held on 27 October 2018 were accepted as an accurate record.

32. Running Action Note

32.1 The Committee discussed the action on risk management, which related to clarifying the lines of communication between the committee and the integration joint boards. Ms Bennett advised that she will present the outcome from her mapping exercise at the next meeting of the committee. She highlighted that the key issue was the relationships between the organisations and the people involved, rather than the relationships between risk registers.

32.2 The Committee also discussed the action relating to the approach that internal audit may take on auditing home care. Ms Brown advised that the chief internal auditors had not met and discussed this point as yet, and she will report back on it at the committee's next meeting.

32.3 The Committee approved the running action note.

33. Internal Audit Report – IT Applications

33.1 Ms Brown introduced report, highlighting that the audit raised generally minor points, and she was content with the management responses.

33.2 Mr Egan set the context, explaining that before the Wannacry attack, NHS Lothian had put in place measures which went beyond the national arrangements for firewalls. NHS Lothian has also participated in a peer audit on cyber resilience and taken action to address issues arising from that. He highlighted that since the Wannacry attack there has been an increase in the security activity at Government level.

33.3 Mr Egan clarified (with regard to Finding 1 in the audit) that there are other personnel who have access to the keys to the tape storage location. He highlighted that in the future tapes will not be used, and will be replaced with alternative technology.

33.4 The Committee accepted the report.

34. Resilience & Risk Presentation

34.1 Mr Elliot gave a detailed presentation on the resilience that encompassed emergency preparedness and business continuity, and an overview of the strategic leadership in NHS Lothian provided by the Resilience Committee. He highlighted work related to the assurance protocols, reviews of essential documents, arrangements and plans and lessons learned from mass traumas in Paris and Manchester and extreme winter pressures.

34.2 There was some discussion on preparedness in light of winter pressures faced during 'the beast from the east'. Members took assurance lessons identified during the debriefing process being cascaded to essential staff and services.

34.3 The Committee was advised that preparedness for Chemical Biological Radiological or Nuclear attacks would be coordinated at a national level, overseen by the Strategic Health Group and work split between Boards.

34.4 The Committee noted the variety of type and scale of incidents that relate to resilience, the importance of building resilience on good practice in normal business and the local ownership of resilience by specialties and the limits to which some risks can be mitigated.

34.6 The Committee took significant assurance from the processes in place.

Mr Elliot left the meeting.

35 Risk Management (Assurance)

35.1 Risk Register - Ms Bennett presented the report drawing out the key points. She drew the Committee's attention to the review of the strategic framework and the outcomes from the first test against the strategic framework related to delayed discharges.

35.1.1 Ms Bennett highlighted that some of the IJB risk registers do not identify risks which have an impact on planning & delivery, such as workforce. It was unclear whether this matter had been picked up with the Chief Officers or at Executive Level. Members noted that there were a number of conversations about workforce risk and the potential implications of Brexit in progress.

Mr Old entered the meeting.

35.1.2 Members noted that workforce was only a part of the issue; Mr Murray hoped that the strategic testing of the framework would open up all risk for discussion at a level that would engage the IJBs. Members agreed that as the Board moves forward with the integration of services, risk management should be approached in an integrated manner.

35.1.3 Ms Bennett agreed to discuss risk management with the chairs of integration joint board audit committees, and would provide feedback through the running action note. **JBen**

35.1.4 The Audit and Risk Committee agreed to:

- Accept significant assurance that the current Corporate Risk Register contains all appropriate risks, which are contained in section 3.2 and set out in detail in Appendix 1
- Accept that as a system of control, the Governance committees of the Board assess the levels of assurance provided with respect to plans in place to mitigate the risks pertinent to the committee.
- Note the review of NHS Lothian's Risk Register within the context of the Board's May 2018 workshop and feedback from committee members with respect to single system approach to risk through the Audit & Risk Committee.
- Note that the new template for the Corporate Risk Register is being tested in collaboration with Internal Audit for reporting in January 2019.

35.1.5 The Chair requested that the report in February note the progress against the strategic review, bring all strand of the work together and identify areas that were still to complete. **JBen**

36. Internal Audit (Assurance)

36.1 Internal Audit Progress Report (November 2018) – The previously circulated report was noted. Ms Brown reported that since the August meeting the remaining two audits from the 2017/18 plan had been finalised.

36.1.1 Ms Brown drew the Committee's attention to the changes within the internal audit team. She reported that Mr Clark would be replaced by Mr Gustinelli a public sector manager. In addition, Ms Brown and Mr Gustinelli would be supported by an Internal Audit Assistant Manager from the beginning of December, who would support the team in delivering internal audit work.

36.1.2 Members questioned in light of the recent staff changes and performance surrounding the KPIS whether it would be prudent to revisit timeframes. Ms Brown assured the Committee that she was confident that she had the resource within the team to complete the plan for 2019/20. She took on board the

Committee's concerns and agreed to be mindful in bringing major issues to their attention if necessary.

- 36.1.3 Members noted the removal of the unscheduled care audit from the plan given the pressure within the service and the continuous work to improve the position. Members agreed it would be better placed in the 2019/20 programme of audits.
- 36.1.1 The Committee accepted the Internal Audit Progress Report November 2018.
- 36.2 Property Transactions (September 2018) – Ms Brown presented the report. She noted that the audit considered whether NHS Lothian had fully complied with the relevant provisions set out within the NHS Scotland Property Transactions Handbook.
 - 36.2.1 Mr Brown confirmed that all transactions had been in line with the NHS Scotland Property Transaction Handbook.
 - 36.2.2 The Committee accepted the internal audit report property transactions September 2018.
- 36.3 Laboratories Renew Programme Follow-up (November 2018) – Ms Brown spoke to the previously circulated report. She summarised the key findings and noted that she was content with the management actions in place.
 - 36.3.1 The Committee accepted the internal audit report Laboratories Renew Programme Follow-up November 2018.

Mr Cambridge entered the meeting.

- 36.4 Procurement (October 2018) – Mrs Brown spoke to the previously circulated report. Highlighting the 5 control objectives, of which 1 received significant assurance and 4 received moderate assurance and that the 5 recommendations related to general housekeeping detailed within the report.
 - 36.4.1 The sample testing had included the vetting of new suppliers, purchases initiated by NHS Lothian departments which have devolved purchasing responsibilities, the authorisation of contracts, and capital purchases. However the Committee commented that from the information provided, it was unclear what the size of the sample was, how many departments had devolved responsibility or how many actions were taken at that level. Members requested that Ms Brown and Mr Cambridge provide a breakdown of the sample to be distributed with the minutes for the members' information. **JBr/MC**
 - 36.4.2 Mr Cambridge assured the Committee that those departments whom have devolved responsibility utilise the expertise within Procurement and regularly consult eHealth expertise and in house legal counsel during the production of tender documentation. Only the implementation and spend remained out with the remit of the procurement function.
 - 36.4.3 Members noted that the gifts and hospitality received by NHS Lothian staff appeared to be reasonable, control could be improved through better review of the gifts and hospitality register.

- 36.4.4 The Committee noted that follow-up of the implementation of the recommendations and management actions would be picked up through Finance & Resources Committee, as it is the committee which oversees procurement. Members were content that Finance and Resources assume responsibility for the follow-up, but requested that when the procurement strategy is presented to the Board for approval, it is not placed in the consent agenda.
- 36.4.5 The Committee agreed to accept the internal audit report Procurement October 2018.

Mr Cambridge left the meeting.

36.5 Acute Site Master Plans (November 2018) – Ms Brown presented the report. She highlighted the key findings of the audit that reviewed the design and operation of the controls in place related to Acute Site Master plans, to ensure they support the NHS Board’s strategic objectives. It was noted that the

36.5.1 Mr Crombie assured the Committee that the acute site master plan was iterative and regular meetings to review the suitability of the plan in line with the needs of the population remained ongoing.

36.5.2 Mr Ash highlighted that the audit report did not contain any information on or raise any concerns on the control objective ‘Stakeholder engagement has underpinned the development of site masterplans. The Board has a legal duty for public involvement, and active public and patient engagement was highlighted as a key area of risk in the risk workshop. Ms Brown advised that she will confirm what engagement there has been.

JBr

36.5.3 Mr Murray highlighted that there has been an acceleration in the investment in facilities for unscheduled care. There has also been a major donation to haematology. To some extent there are arrangements which have superseded the site masterplans. Ms Goldsmith advised that the masterplans inform capital prioritisation, and that the masterplanning process is iterative.

36.5.2 The Committee agreed to accept the Acute Site Master Plans (November 2018)

Mr Joshi entered the meeting.

36.6 Follow-Up of Management Actions Report (November 2018) – the Committee accepted the report on the Follow-Up of Management Actions.

36.6.1 Ms Brown agreed to review the language within the report relating to the closure of the actions.

JBr

37. Counter Fraud (Assurance)

37.1 Counter Fraud Activity – Mr Old presented the report. He drew the Committees attention the revised format of the report in light of the comments made at the October meeting surrounding improving clarity.

- 37.1.1 Members discussed the Ariston case, and agreed that at the appropriate time, a on Procurement Irregularities, Investigation regarding former staff full report should be brought forward on the case specifically detailing the issues relating to the Board's systems of control.
- 37.1.2 The Committee accepted the report as a briefing on the current status of counter fraud activity. The Committee agreed that the report provided a significant level of assurance that all cases of suspected fraud are accounted for and appropriate action was taken.
- 38. External Audit (Assurance)**
- 38.1 External Audit Plan 2018/19 – Mr Brown presented the report to the Committee. He summarised that the key aspect of the audit work noting that there had been no major changes from the previous year.
- 38.1.1 Mr Brown noted that one significant change from the previous work was that it was an active National Fraud Initiative (NFI) year, with the assessment of Board engagement with the 2018/19 NFI exercise.
- 38.1.2 The Committee noted that the auditing standards require the external auditors to inform the Audit and Risk Committee of their assessment of the risk of material misstatement in the financial statements. Five significant risks were outlined, with two further significant risks to the wider scope of our audit outlined in section 5 of this report:
- Capital Transactions
 - PFI and related assets
 - Revenue Recognition
 - Risk of Fraud in the recognition of Expenditure
 - Management Override
- 38.1.3 The consideration of the wider scope had raised one significant risk to the external audit in relation to financial sustainability and one significant risk in relation to governance and transparency. In that In April 2018, the considered Financial Plan to support the Annual Operational Plan had outlined a remaining financial gap of £21.4 million. Therefore, the financial projections from 2018/19 onwards note ongoing challenges in achieving the recurring savings targets and medium to longer term financial stability. The situation is not helped by the estimated NRAC shortfall will be £14m at the end of 2018/19 following a change to the disbursement formula.
- 38.1.4 The External review by the Royal College of Physicians of Edinburgh to undertake an investigation into the concerns that rose from the Whistleblowing arrangements about the alleged mismanagement of waiting times reporting was published in June 2018 and was a matter of public interest; As a result of the internal and external reviews over 60 actions have been identified to address concerns raised.
- 38.1.5 The Committee accepted the External Audit Plan 2018/19.

39. General Corporate Governance (Assurance)

- 39.1 Revised Terms of Reference for the Audit & Risk Committee – Mr Payne presented the report, noting the changes to the terms of reference that reflected the updated audit and assurance handbook.
- 39.1.1 The Committee agreed that 3-year term appointments should be systematically applied going forward.
- 39.1.2 The Committee reviewed the proposed revised terms of reference, and agreed to recommend them to the Board for its approval.

Dr Watson Entered the meeting.

39.2 4 hour Emergency Access Standard – External Review Progress

- 39.2.1 Mr Crombie and Mr Joshi gave a detailed and comprehensive overview of the measures taken on the emergency access standard. There was a single action plan in place which has been informed by the recommendations from the internal audit report, the subsequent significant adverse event review, and the Academy's report. The Committee noted the comprehensive report and the Deputy Chief Executive answered the committee members' questions.
- 39.2.2 The Committee agreed to accept the report as a source of significant assurance that senior management have developed an appropriate set of assurance and delivery groups to oversee the improvement required in line with the overarching plan, as derived from the Academy Report.
- 39.2.3 The Committee agreed to accept this report as a source of moderate assurance that mechanisms are in place across all three adult acute sites to monitor performance against unscheduled care, and to support staff to design and implement a programme of improvement actions.

39.3 Access and Governance Committee Update

- 39.3.1 The Committee received a separate report from the Chief Quality Officer on the work of the Access & Governance Committee. The Audit & Risk Committee agreed that it had moderate assurance on the arrangements which were now in place for the Access & Governance Committee. The Audit & Risk Committee was informed that the Access & Governance Committee considers the advice it receives with regard to compliance with waiting times requirements, and calibrates this with the need to focus on the quality of care.
- 39.3.2 The Committee agreed that the Chief Quality Officer should work with the Chair of the Information Governance Sub-Committee and the Chair of the Healthcare Governance Committee, to determine the best approach for those bodies to carry out their remits with regard to assurance on data quality and healthcare quality respectively.
- 39.3.3 The Committee accepted a moderate level of assurance from the Access and Governance Committee update subject to Dr Watson working with the Chair of the Information Governance Sub-Committee and the Chair of the Healthcare Governance Committee.

SJW

Mr Joshi left the meeting.

39.4 Write-off of Overseas Patients Debt – Ms Howard presented the report. She gave a brief overview of the paper and requested that the Committee write off the two losses that represent the cost of medical treatment at hospitals totalling £104,292.33.

39.4.1 The Committee noted that overseas patients remained a high risk area, work to improve engagement with insurance companies and the overseas team was ongoing.

39.4.2 The Committee reviewed Appendices 1 and 2 and confirmed that the Director of Finance may approach the SGHSCD for its approval to write-off these losses.

39.5 Write-off of salary overpayment – Ms Howard gave a brief overview of the paper. She explained the circumstances that surrounding a staff member receiving on significant overpayment as a result of an error in the calculation of salary protection in 2011. the error was found to originate from the payroll department the individual had been advised that repayment of the full amount would not be pursued.

Ms Howard informed the committee of the steps taken to determine if there had been any other such errors, and advised that there were none. She advised that there has been a change to working practices so that there is now an independent check on protection calculations.

39.5.1 The committee were uncomfortable that the error had been identified and still took a period of months to correct the payment to the individual. They noted that the benefit received by the individual had been substantial and would have been a notable difference in wage to that of their peers. Although the calculation error had originated in the payroll department, the committee's view is that some effort should be made to pursue at least partial repayment from the individual or withhold pay rises until the point of retirement. It was noted that all NHS Employee payslips state that they have a responsibility to notify the Payroll Department of mistakes on their payslip, therefore some responsibility lay with the employee. The committee commended the manager who had identified the error, however questioned why it had not been identified before.

The committee was also concerned with the apparent policy of unlimited pay protection, as an individual could receive additional payments until he or she retires. The committee recognised that there were issues for this case, as well as issues for wider system learning. The committee was concerned with the signal that may be given if no action is taken for significant overpayments.

39.5.3 The committee reviewed Appendix 1 and confirm that at this time they would not support the Director of Finance approach the SGHSCD for its approval to write-off this loss. The committee agreed to refer this matter back to executive management to review whether all reasonable steps have been taken in this case to recover the overpayment (in line with the guidance in the Scottish Public

Finance Manual), and to consider the context of the precedent and messages that the organisation sends out in its actions. .

39.5.5 The Chair requested that Ms Goldsmith present a report to the February 2019 meeting of the Audit and Risk Committee in response to the concerns detailed above.

SG

39.5.6 The Committee noted the national discussion in light of the recent deal for 3% pay raise for all NHS employees and the associated implications of salary protection as a financial risk to the organisation.

Ms Brown, Mr Haggerty and Dr Watson left the meeting.

39.6 Litigation Annual Report 2017/18 – Ms Howard spoke to the previously circulated report that provided assurance on the management of litigation in NHS Lothian. She went on the draw attention to the high claims detailed at item 3.6.5 within the report.

39.6.1 The Audit & Risk Committee agreed to:

- Note that the Healthcare Governance Committee (HCG) has accepted this report as an annual update on litigation activity in terms of numbers, financial impact and recurring themes. The HCG committee has accepted significant assurance for the effectiveness of the processes and moderate assurance in terms of evidence of learning after cases are closed.
- Note that the HCG Committee has approved plans to strengthen processes for learning from claims, and note some examples of high value claims provided in the paper.
- Note programmes of work in place to improve management of and response to adverse events which may result in fewer settled claims, but recognising that events resulting in a claim are not always part of an adverse event process.

40. Any Other Competent Business

40.1 There were no other items of competent business.

41. Date of Next Meeting

41.1 The next meeting of the Audit and Risk Committee would take place at **9.00** on **Monday 25 February 2019** in **Meeting Room 8&9, Fifth Floor, Waverley Gate.**

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday 25 February 2019 in Meeting Room 8, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present:

Mr M. Ash, Non-Executive Board Member (chair); Mr M. Connor, Non-Executive Board Member; Councillor J. McGinty, Non-Executive Board Member Mr B. McQueen, Non-Executive Board Member; Mr P. Murray, Non-Executive Board Member.

In Attendance:

Mr C. Brown, External Auditor; Ms J. Brown, Chief Internal Auditor; Ms J. Bennett, Associate Director of Quality Improvement and Safety; Mr J. Crombie, Deputy Chief Executive; Ms F. Cameron, Head of Infection Prevention and Control (item 46.4); Ms S. Goldsmith, Director of Finance; Mr A. Gustinelli, Internal Audit Manager; Mr C. Marriott, Deputy Director of Finance; Mr J. Old, Financial Controller; Mr A. Payne, Head of Corporate Governance; Ms B. Pillath, Committee Administrator (minutes).

Apologies:

Mr T. Davison, Chief Executive; Mr B. Houston, Board Chairman; Mr A. McMahon, Executive Nurse Director.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest noted.

42. Minutes of the previous meeting held on 26 November 2018.

42.1 The minutes of the meeting held on 26 November 2018 were accepted as an accurate record.

43. Procurement Audit Testing

43.1 The previously circulated note provided information on how the sample for testing had been selected. Ms Brown also noted that auditors would follow the manual for the scope of the audit but could expand based on any risks observed during the audit. They would also consider any previous reports to pick up themes.

44. Committee Business

44.1 Running Action Note

44.1.1 The updated action note had been previously circulated. Referring to the third action it was noted that there was no existing forum for all Integration Joint Board audit and risk committees to share ideas and that an initial meeting to discuss this would be welcomed.

45. Risk Management

45.1 NHS Lothian Corporate Risk Register

- 45.1.1 Ms Bennett presented the previously circulated paper. Mr Murray noted that good progress had been made on the corporate risk register which was now more in line with the Committee and Board's responsibilities, supporting the internal audit findings.
- 45.1.2 The definition of 'control' used in the model was discussed. Mr Payne stated that a 'control' was something permanently in place to manage a risk. It was noted there was no demonstration that these 'controls' or mitigations in place were reducing the risk, outcomes were not included and areas such as access to treatment had been high risk for a number of years and were not achieving targets. Conversely, the financial risk was considered high but was always balanced by the end of the year due to the controls in place. Ms Bennett agreed to try to present the tables differently so that the difference between mitigating actions and controls could be shown. **JBe**
- 45.1.3 It was suggested that Committees needed to be clearer in giving their judgement on assurance met in each of their areas to inform the risk register but noted that giving assurance in one area did not take into account the interrelation between actions taken in different areas and how they affect one another. It was noted that some decisions to focus on one area over another were made but there needed to be more of this. This would be one area of discussion at the Strategic Planning Forum which would be a discussion forum with wider oversight of work across the Board and Integration Joint Boards.
- 45.1.3 There needed to be close work with the Integration Joint Boards to ensure that auditing arrangements were linked so that delegated areas such as unscheduled care were covered and corporate risk issues were considered at the Integration Joint Boards. Mr Crombie suggested active engagement with Integration Joint Board chairs was needed to ask that these areas were considered and be specific about the outcomes expected. There needed to be more clarity between Integration Joint Board and Health and Social Care Partnership risks as some were could be the same as NHS Lothian risks. This could also be discussed at the new Strategic Planning Forum although it was noted that this forum was for discussion about planning and managing services rather than management of risk.
- 45.1.4 Ms Brown noted that managers had a good understanding of risk and there could be more work with them to ensure that they were giving the assurance needed by the Committee.
- 45.1.5 Members accepted the recommendations laid out in the paper and accepted significant assurance that the Corporate Risk Register contained all the appropriate risks.
- 45.1.6 Regarding recommendation 2.3 it was agreed that the minutes of this meeting would be included in part 2 of the Board agenda to highlight the responsibility of the governance committees to show their judgement on assurance given relating to risk as part of the emerging risks section in the Corporate Risk Register as recommended by the Board in February 2019.

- 45.1.7 Regarding recommendation 2.6 further discussion would take place at the new Strategic Planning Forum and Mr Murray would liaise with the Chairman to ensure this was considered.

PM

46. Internal Audit

46.1 Internal Audit Progress Report – February 2019

46.1.1 Ms Brown presented the previously circulated paper. In terms of regional audit reporting it was noted that an approved regional plan had not yet been published, but that reporting would be on governance arrangements of existing regional services.

46.1.2 Ms Brown advised that it was expected that the reporting schedule laid out would be achievable now that resource issues had been resolved.

46.1.3 Members agreed that changes to the internal audit plan proposed in the report.

46.2 Risk Management

46.2.1 Mr Gustinelli presented the previously circulated report. Ms Bennett noted that the key issue was ensuring clarity of control and plans to mitigate risk. Plans were in place but not articulated on the corporate risk register, which also did not record what assurance was taken at governance committees. This would be brought up at the Board as suggested in discussion of the risk register.

46.2.2 It was noted that the description of controls needed to be relevant and adequate to meet the risk described, and needed to be understandable to a lay member.

46.2.3 It was agreed that as well as the relevant part of the minutes from this meeting, the relevant part of the risk management audit report should be brought to the Board to make them aware of the findings. The governance Committees would be expected to take on the recommendations from the report and carry out the management actions laid out.

JBe / AP

46.3 East Lothian IJB Workforce Planning

46.3.1 Mr Gustinelli presented the previously circulated report. It was noted that GP and nursing workforce was high risk on the risk register for NHS Lothian, and was also central to East Lothian workforce planning. Ms Brown advised that this report had been carried out in conversation with the chief internal auditor of East Lothian Integration Joint Board and was related to the Scottish Government workforce plan which had not yet been published. This review would not be carried out in the other Integration Joint Boards until this had been published.

46.3.2 There would be a separate piece of work on primary care access and sustainability.

46.3.3 It was noted that there should be named people on the action plan, not 'all' to ensure responsibility.

46.4 Healthcare Associated Infection

- 46.4.1 Mr Gustinelli presented the previously circulated report and the chair welcomed Ms Cameron to the meeting. Ms Cameron noted that a review of the process of HAI self audit in wards was taking place to make it easier for staff to carry out. There were currently over 300 questions for staff to answer in the audit and due to pressure on the wards there had previously been an amnesty on audit reporting although outcome data continued to be collected during this time. There was no national consensus on how to approach these audits and work was ongoing to reduce the number of processes.
- 46.4.2 Performance comparison with other Boards had not been part of the internal audit report, but Ms Cameron advised that NHS Lothian measured well against other Boards. The target for reduction of *Clostridium difficile* Infection had been met and the *E. coli* infection and surgical site infection rates compared well. The target for reduction in *Staphylococcus aureus* Bacteraemia had not been met, but there had been significant improvement and no Board in Scotland had achieved this target.
- 46.4.3 The actions from the internal audit report would be followed up in the regular report to the Healthcare Governance Committee.
- 46.5 Winter Planning
- 46.5.1 Mr Gustinelli presented the previously circulated report. Members found the report reassuring. Mr Crombie advised that the Unscheduled Care Committee had created a scoring matrix based actions taken in previous years, and that next winter this would be reviewed and more focussed.
- 46.5.2 It was noted that it would be helpful for planning if money allocated from the Scottish Government for winter contingency could be known in advance and this had been fed back.
- 46.6 Draft Internal Audit Plan
- 46.6.1 Ms Brown presented the previously circulated plan. The plan was for approval by the Audit and Risk Committee which would recommend it to the Board. All the directors were consulted in the drafting of the plan to identify areas of risk and benefits of audit to bring out any actions for improvement. Mr Crombie noted that the interaction between the internal audit team and the Chief Executive ensured robust terms of reference for the reports. These should be risk based and linked to Board objectives and Ms Brown noted that the team were working towards this.
- 46.6.2 It was suggested that audit reporting should be more connected with relevant Integration Joint Board activities, for instance unscheduled care. It was noted that under the governance structure liaising between the chief internal auditors of all relevant organisations was complicated. Ms Brown agreed that there needed to be more work to connect with Integration Joint Board risk registers.
- 46.6.3 It was agreed that as the East Lothian NHS 24 pilot had been subject to a lot of governance evaluation, that its inclusion in next years' auditing schedule would be reviewed.
- 46.6.4 With this amendment, members accepted the audit plan.

JBr

46.7 Follow Up of Management Actions Report (February 2019)

46.7.1 Ms Brown presented the previously circulated report and noted a very good level of engagement from staff with most actions completed.

46.7.2 Mr Murray suggested that 'staff holidays' should not be given as a reason in the management response for not having achieved mandatory training compliance, there should be evidence that management aspired to the highest possible compliance. Ms Brown noted this.

47. **Counter Fraud**

47.1 Counter Fraud Activity

47.1.1 Mr Old presented the previously circulated paper. It was noted that there were delays in taking some internal investigation of cases forward because the member of staff being investigated was off sick. Occupational Health had to give approval for a member of staff to attend a disciplinary meeting while off sick. Some proceedings can be held in the absence of the member of staff. If the Police were involved there were different requirements.

47.1.2 There was discussion about whether an anonymous list of offences could be published as a deterrent for future offenders. It was noted that some figures were published by the National Fraud Initiative, but only those reported direct to them rather than to the Board. A list of where information was publically available would be included in the next report.

JO

47.1.3 It was agreed that the paper presented gave assurance that cases were being pursued.

48. **External Audit**

48.1 External Audit Plan

48.1.1 Mr Brown presented the previously circulated external audit plan, and members agreed to accept the plan.

49. **Corporate Governance**

49.1 Write-Off Salary Overpayment

49.1.1 Ms Goldsmith presented the previously circulated paper and recommended that the risk of deducting the overpayment from the member of staff's salary without their permission was too high. Partnership would support the member of staff as the overpayment was due to a mistake in calculation which had not been identified by Finance team managers. There was benefit in having a good relationship with Partnership and fair processes for staff.

49.1.2 There was discussion about the Board's obligation to recover tax payers' money and to be seen to be doing so, and whether the public would see the write off as reasonable.

- 49.1.3 It was agreed to await the outcome of the second letter to the member of staff asking them to make arrangements for the repayment, and to ask for a further recommendation from the Chief Executive on the balance between the risk of taking further action against the member of staff and the risk of not taking action. There would be further discussion at the next meeting. **SG**

50. Any Other Competent Business

50.1 Failure to send letters

- 50.1.1 Mr Crombie advised that in July 2018 it had been noted by eHealth that letters advising patients that they had not met their treatment time guarantee, required to be sent by law, had not been sent. These amounted to about 200 letters per month. In January 2019 the eHealth department decided to send out the delayed letters. The issue had not been escalated to the Executive team. There were a number of negative responses from patients receiving the late letters, including some from relatives of patients who had since died. Letters of apology had since been sent out to these relatives.

- 50.1.2 Mr Crombie was leading an internal review into the circumstances, the results of which would be reported to the Executive team and through the governance process via the Healthcare Governance Committee. There would also be an update at the Audit and Risk Committee at the next meeting. **JC**

51. Date of Next Meeting

- 51.1 The next meeting of the Audit and Risk Committee would take place at **9.00** on **Monday 29 April 2019** in **Meeting Room 8&9, Fifth Floor, Waverley Gate.**

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday 29 April 2019 in Meeting Room 8, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present:

Mr M. Connor, Non-Executive Board Member (chair); Councillor J. McGinty, Non-Executive Board Member, Mr B. McQueen, Non-Executive Board Member; Mr P. Murray, Non-Executive Board Member.

In Attendance:

Ms J. Brown, Chief Internal Auditor; Ms J. Bennett, Associate Director of Quality Improvement and Safety; Mr G Curley, Director of Operations – Facilities; Mr T. Davison, Chief Executive; Mr D Eardley, External Auditor; Ms S. Goldsmith, Director of Finance; Mr B. Houston, Board Chairman; Ms D Howard, Head of Financial Services; Manager; Mr C. Marriott, Deputy Director of Finance; Ms Kate Morgan, Internal Audit Manager; Ms Olga Notman (Assistant Finance Manager); Mr J. Old, Financial Controller; Mr A. Payne, Head of Corporate Governance; Ms L Baird Committee Administrator (minutes).

Apologies:

Mr M. Ash, Non-Executive Board Member; Mr A. McMahon, Executive Nurse Director. Mr J. Crombie, Deputy Chief Executive.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest noted.

1. Internal Audit Report: Estates Management

- 1.1 Ms Brown presented the previously circulated report. The audit had focused on the controls relating to implementing the Property & Asset Management Strategy (PAMS) and backlog maintenance; it was noted that there had been no overlap from the previous audit of Estates. Ms Brown advised that the audit had found reasonable controls were in place for the effective management of the estate.
- 1.2 Mr Curley acknowledged that with regard to Finding 1, two properties which had been due for condition surveys had been missed, and that they would be surveyed in 2019/20. With regard to Finding 2, he advised that management had identified resources to train colleagues on the use of capital planning software. Referring to Finding 3 he advised that backlog maintenance would be reported directly to the PAMS Group.
- 1.3 Mr Curley advised that he had not undertaken a cost benefit analysis of training. The training is necessary and repetitive, and the external nature of the training had provided assurance in respect of consistency of the level of training across the Board.
- 1.4 The Committee accepted the report.

Mr Curley left the meeting.

2. Minutes of the previous meeting held on 25 February 2019

- 2.1 The minutes of the meeting held on 25 February 2019 were accepted as an accurate record.

3. Matters Arising

3.1 Running Action Note

- 3.1.1 The updated action note had been previously circulated. Referring to the final action it was noted that Mr Crombie had advised that the report on failure to send letters would be taken to the Healthcare Governance Committee. The Committee asked that management provide some feedback on the outcome of this issue.

AP

4. Risk Management

4.1 NHS Lothian Corporate Risk Register

- 4.1.1 Ms Bennett presented the previously circulated paper. It was noted that sections on Brexit and Waste management set out the rationale for their inclusion in the risk register. She went on to advise that at the April 2019 meeting of the Board there was agreement that all Board risk register reports would include a section on NHS Lothian's strategic risk framework from September 2019.
- 4.1.2 Mr McQueen asked for more information on the recurring costs associated with waste management. Ms Goldsmith explained that the projected cost of an additional £1m in relation to waste management was the cost being incurred at present to address the issue in the short term. This cost was being covered by Scottish Government. However the long term costs and funding are unknown and Ms Goldsmith advised there would be a significant step up in the annual cost of waste management.
- 4.1.3 Ms Bennett raised the issue of communication between the Committee and integration joint boards' audit committee, as she was unclear what was the best way to take this forward. With regard to alignment of risk registers, Ms Bennett would like to link with risk management colleagues within the Integrated Joint Boards (IJBs) to work through a single risk, such as primary care. After discussion it was agreed that Ms Bennett would take this forward and take the outcome to the Integrated Care Forum; this would bring the matter to the attention to the Chief Officers and motivate each IJB to work practically through risks owned by a number of parties.
- 4.1.4 Members accepted the recommendations in the report.

JB

4.2 Risk Management Annual Report 2018-19

- 4.2.1 Ms Bennett spoke to the previously circulated report. She summarised the work to date drawing the committee's attention to work that informed the governance statement.
- 4.2.2 In response to a query, Mr Payne explained that the Governance Statement includes a description of the system of risk management, and this report informs the preparation of the Governance Statement.
- 4.2.3 There was acknowledgement that there had been little movement in risk and committee members welcomed definitions within the report. Mr Murray noted that it would be useful to know if there was a high risk, what processes were in place to escalate it.
- 4.2.4 The committee accepted the report as moderate assurance with respect to the system in place to manage risk across NHS Lothian, as they are subject to the emergent risk systems across Health and Social Care Partnerships and Integrated Joint Boards and as such controls are developmental in nature.
- 4.2.5 The Committee noted that moderate assurance had been accepted by the Healthcare Governance Committee in November 2018 concerning the systems in place for the management and learning from adverse events across NHS Lothian, including duty of candour.
- 4.2.6 The committee accepted the paper as the Risk Management Annual Report to inform the NHS Lothian Governance Statement.

5. **Internal Audit**

5.1 Internal Audit Progress Report – April 2019

- 5.1.1 Ms Brown presented the previously circulated paper. In terms of outstanding reports it was noted that 3 were in draft form. Ms Brown explained that the complexity of some reports had delayed them being finalised. It was noted that reports on clinical coding, staff satisfaction and Edinburgh IJB Financial and Budget Management were expected in June.
- 5.1.2 Ms Brown advised that it was expected that the reporting schedule laid out remained achievable. She explained that a key action for 2019/20 was to provide more time planning the scope and timing of individual audits.
- 5.1.3 Mr Murray requested that future reports should contain suitable headings on tables detailed within the report. Ms Brown noted this.
- 5.1.4 Ms Brown explained that with regard to the audit on corporate governance, the report in June would be a verbal report, in light of the ongoing work on the Blueprint for Good Governance. This would be a preliminary step, and a formal report will be produced in 2019/20.
- 5.1.5 The Committee accepted the Internal Audit Progress Report – April 2019.

5.2 Theatres Improvement Programme

- 5.2.1 Mr Connor noted that both Mr Crombie and Ms Carr had been unable to attend on this occasion. As not to delay the report further Mr Payne would take questions back to Mr Crombie and Ms Carr if further information was required.
- 5.2.2 The committee received a brief overview of the previously circulated report. Mr Connor commented that here was no solid action within the detail of the report that would change culture.
- 5.2.3 It was noted that the theatres transformation programme had rose from an external report commissioned with Delotte, driven from an efficiency saving perspective. From the beginning there was a failure to engage with key staff on the ground, therefore sign up and motivation to achieve efficiency savings had been poor.
- 5.2.4 It was noted that the decision to merge two work streams had taken place immediately before the start of the internal audit, making it difficult to ascertain whether the change would make a difference and change culture.
- 5.2.5 Councillor McGinty acknowledged that the report had not been explicit in the reasons for the lack of engagement by stakeholders, noting that the undertones of the report had pointed at lack of commitment and sign up from key stakeholders. Ms Brown advised that during the audit the question of commitment to the completion of the programme had been raised. In her opinion there needed to be more commitment to change.
- 5.2.6 The members highlighted in the discussion that it was not clear how stakeholders were identified and involved in scoping the work, and the process of re-design. It was observed that the Theatres Improvement Plan appeared to proceed separately from other initiatives, such as the Annual Operating Plan, strategic planning processes, staff governance and workforce planning. Nor did it appear to be included job planning for the consultants who would be instrumental in the programme of work. It is not clear how budgets and personal objectives were amended to facilitate and target delivery. It was agreed that moving forward ensuring that lessons were learnt for this programme would be essential to support future innovation and change within the organisation.
- 5.2.7 Ms Goldsmith commented that perhaps a quality-based approach would have had a greater impact on delivery, rather than simply an initiative focussed on efficiency and financial savings. She noted that there was a place for the Finance & Resources Committee to consider the issues raised in the report. She proposed another look at the programme in the context of the quality strategy.
- 5.2.8 Mr McQueen expressed concerns that the detail of the report had not identified a senior member of staff as the responsible owner for the programme whom was accountable to the Board and its governance committees, who could get a grip on the programme and drive forward change. It was noted that the responsibility for all the actions in the report was assigned to the TIP Programme Board, rather than an accountable director.
- 5.2.9 The Committee requested that Mr Crombie prepare a report for the June meeting. The report should give an update on the progress made by the

programme. The report should also give the Committee a better understanding of why the issues have arisen, and make use of the Theatres Improvement Programme as a case study to support organisational learning and development.

JC

5.3 Follow Up of Management Actions Report (April 2019)

5.3.1 Ms Brown presented the previously circulated report and noted a very good level of engagement from staff with most actions completed. She advised that there had been good discussion surrounding the action for workload planning and was content with the action put forward by management.

5.3.2 Members were not comfortable with anything other than an aspiration to achieve 100% for mandatory training. Mr Murray noted that some of the mandatory work had clinical health and safety aspects and it was the duty of the Board to assure themselves that staff were compliant with mandatory training. If an incident was to occur and the Board had signed off an aspiration of 80% they could be deemed culpable. Mr Payne highlighted that the Committee had previously raised this concern with the Staff Governance Committee, and had received a response. In light of the continuing concern Mr Payne agreed to discuss this with Ms Butler, Director of Human Resources and Organisational Development in order to find the best way forward.

AP

5.3.3 The Committee accepted the report.

6. **Counter Fraud**

6.1 Counter Fraud Activity

6.1.1 Mr Old presented the previously circulated paper. He apologised for the submission of an incomplete paper. It was noted that there were five referrals and five operations in progress. Of three of the operations are with the Procurator Fiscal for a decision.

6.1.2 A member asked what action does the organisation take to prevent fraud. Mr Old advised members of the various in-house and Counter Fraud Services activities to promote awareness of fraud, bribery and corruption, as well as internal controls to help prevent and detect fraud. He aspired to get a banner on the intranet to draw staff attention to work in progress to mitigate future instances of fraud.

6.1.3 It was agreed that the paper presented and Mr Old's overview gave significant assurance that all cases of fraud were being pursued and action was taken to proactively respond to fraud.

6.1.4 The Committee accepted the report as a briefing on the current status of Counter Fraud Activity.

7. External Audit

7.1 External Audit Plan

- 7.1.1 Mr Eardley provided a verbal overview of 2 key issues; the External Audit progress to date and the Audit Scotland project related to the Royal Hospital for Sick Children Settlement Agreement, specifically the settlement agreement of £11.6M, the governance oversight surrounding the settlement and whether best value for money was obtained.
- 7.1.2 It was noted that audit progress had been positive to date and the programme of work required leading up to the submission of the external audit opinion was on track for 26th June 2019.
- 7.1.3 Mr Eardley anticipated that the outcomes of the Audit Scotland project would be shared in June 2019. There were no plans to produce a separate report on the project at this time but the external auditors reserved the right to do so. It was noted that the project contained 12 key lines of enquiry, one of which would look at Scottish Government involvement; what was asked of them and what their directed the Health Board.
- 7.1.4 It was noted that though Audit Scotland had commissioned a specific project in light concerns raised by key stakeholders, Scott Moncrieff would have considered the Royal Hospital for Sick Children as part of the work that supported the audit opinion.

Mr Davison entered the meeting.

8. Corporate Governance

8.1 Write-Off Salary Overpayment

- 8.1.1 Mr Davison spoke to the previously circulated report, highlighting the exceptional nature of the case that had resulted in the conclusions reached by the executive team. He reminded the committee that this overpayment had resulted from a simple arithmetic calculation error in calculating protection of earnings for the member of staff involved. Essentially a reference period of four months of variable salary payments had been had been totalled and divided by a factor of three rather than a factor of four.
- 8.1.2 To put this isolated issue in context Mr Davison advised that NHS Lothian payroll pays around 36000 staff, with annual salary costs of £976m. Mr Davison confirmed that recovery of overpayments is the board's normal policy and practice. Overpayments of salary can arise for a number of reasons, are normally identified quickly and normally payroll agrees with each member of staff who have been overpaid a monthly amount to be deducted from pay or, for staff who have left the organisation, a monthly amount to be paid by direct debit. This results in most overpayments being recovered within one year.
- 8.1.3 The extent of this overpayment meant that even if the individual repaid the average monthly amount being recovered from other staff or former staff it would take the organisation over 50 years to recover the amount although he

highlighted that the public purse, through tax, national insurance and pension contributions had automatically recovered over £30k through statutory deductions from the gross figure.

- 8.1.4 Members took assurances from mechanisms put in place which ensured that protection calculations were now completed by a payroll officer in the first instance using a standard template with automatic calculations built in. Calculations were then double checked by a Payroll team leader before information was provided to the service.
- 8.1.5 It was noted that the executive team had reviewed the case and concluded that no action would be taken to recover the amount, for the following reasons:
- An error was made by management in the original payroll calculation;
 - The level of protection being paid to the employee was confirmed on 3 occasions by the employer;
 - Routine budgetary control measures did not identify the error for 7 years;
 - An error of judgement was made in advising the employee that no repayment would be required;
 - The employee had not consented to deductions for repayment and has advised this would result in financial hardship. The correct level of pay protection has been in place since February 2019 and this has resulted in a significant reduction in the employee's take home pay;
 - The Board had never deducted without consent to date and there was a risk of court action by the employee. Legal advice was that the Board has a less than 50% chance of success;
 - Pursuing a deduction without consent will only recover a small contribution to the overpayment and may have significant employee relation implications for the Board;
 - The executive team had satisfied themselves that this was an isolated incident.
- 8.1.6 It was noted that in terms of withholding future pay awards and uplifts, there was no contractual entitlement for the employer to do this and no precedent for this either. NHS Lothian would run a significant risk of a breach of contract claim by withholding annual pay awards, which the contract of employment entitles the employee to. Advice was also sought from the Scottish Public Pensions Agency in terms of recovering part of the overpayment from the employee's pension lump sum. Advice received in relation to this issue was that the only facility to offset money from a member's pension or lump sum was where there was a loss of public funds due to the member's criminal, fraudulent or negligent act or omission which was not relevant in this case.
- 8.1.7 It should also be noted that whilst the level of overpayment had been identified as £87,858.82, this was the gross amount of overpayment that would require to be written off. Taking account of tax and national insurance contributions it would be appropriate to deduct roughly 35% and therefore the net overpayment actually received by the employee over the 8 year period is in the region of £57,000.
- 8.1.8 Taking account of the level of potential repayment, and the employee's age, it was the executive team's view that pursuing repayment would be punitive and there was a need to balance NHS Lothian's responsibilities as a fair employer with the requirement to protect the public purse.

- 8.1.9 The committee acknowledged that the Scottish Government retains the authority to approve the write-off of this overpayment. The committee was informed that management would review the over/underpayment of salary guidance to determine if any further changes were required.
- 8.1.10 The Committee acknowledged that the report provided additional context of the exact circumstances of this case. The Committee agreed to:
- Note that the default policy and practice of the board is to recover salary overpayments
 - Accept that as the employer NHS Lothian were materially at fault in this case.
 - Accept assurance that the executive team has recognised the failures in its systems of control and that these had been addressed.
 - Approve the application for write off from the Scottish Government, recognising that this loss would be recorded in the Board's annual accounts.

Mr Davison left the meeting.

8.2 Accounting Policies

- 8.2.1 Ms Goldsmith presented the previously circulated report. She noted that a recommendation from HM Treasury surrounding the application of IFRS 16 and the standard for lease accounting effective from financial year 2020/21. There would be no material impact from the deferral.
- 8.2.2 Ms Goldsmith noted that employers' pension contribution rates would see a significant increase from 1st April 2019, rising by 6% to 20.9% and would remain at this rate until 31st March 2023. The next valuation would be based on scheme data as at 31st March 2020 and will set the employer contribution rate for the period 2023 – 2027. She noted that this would present significant challenges for the organisation.
- 8.2.3 Ms Howard advised that there were minor changes to the Accounting Policies' note reflecting the initial application of two new accounting standards; IFRS 15 Revenue from contracts with customers and IFRS 9 Financial Instruments. She expected that both standards would have minimal implications to the Board.
- 8.2.4 The Audit & Risk Committee reviewed and approved the accounting policies, and confirmed that they were appropriate for the Board at the present time for the purpose of giving a true and fair view.

9. **Any Other Competent Business**

- 9.1 There were no other matters arising for consideration.

10. **Date of Next Meeting**

- 10.1 The next meeting of the Audit and Risk Committee would take place at **9.00** on **Monday 17 June 2019** in **Meeting Room 8&9, Fifth Floor, Waverley Gate.**

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday, 17 June 2019 in Meeting Rooms 8 & 9, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present:

Mr M Ash (Chair), Non-Executive Board Member; Mr B McQueen, Non-Executive Board Member; Mr P. Murray, Non-Executive Board Member and Mr M Connor Non-Executive Board Member.

In Attendance:

Ms K Morgan, Assistant Manager Internal Audit; Ms J Brown, Chief Internal Auditor; Mr C Brown, Scott Moncrieff; Mr J Crombie, Deputy Chief Executive; Mr D Eardley, Scott Moncrieff; Mr M Egan, Director of eHealth; Ms S Gibbs (Deputising for Ms J Bennett); Ms S. Goldsmith, Director of Finance; Mr A Gustinelli, Internal Audit Manager; Ms D Howard, Head of Financial Services; Mr C. Marriott, Deputy Director of Finance; Ms O Notman, Assistant Finance Manager; Mr J. Old, Financial Controller; Mr A Payne, Head of Corporate Governance; Dr S. Watson, Chief Quality Officer and Miss L Baird, Committee Administrator.

Apologies:

Councillor J McGinty, Non-Executive Board Member.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Mr Ash declared an interest in the Edinburgh Integration Joint Board Financial and Budget Management (May 2019) report, noting that he was a member of the Integration Joint Board.

11. Minutes of the previous meeting held on 29 April 2019.

11.1 The minutes of the meeting held on 29 April 2019 were accepted as an accurate record.

12. Running Action Note

12.1 The committee noted the actions marked complete and those that were not due for consideration detailed within the report.

12.2 Mr Payne advised the Committee that with regard to the point on 'failure to send letters', a letter from the Chair of the Healthcare Governance Committee to the Chair of the Audit & Risk Committee has been drafted. The Healthcare Governance Committee has agreed to accept moderate assurance in respect of the processes in place. It was noted that the Information Governance Sub-Committee will exercise oversight over the remaining actions.

12.3 The Committee discussed the due date for each action, the fact that some had lapsed and whether it would be appropriate for an additional date or column for a date that indicated when the action would be completed be added to the running note. Mr Payne would explore this possibility and feedback through the running action note.

12.4 The committee accepted the running action note.

13. Internal Audit (Assurance)

13.1 Internal Audit Progress Report (June 2019) – Ms Brown drew attention to 2 audits that would be delayed until the August Audit and Risk Committee meeting; Staff Satisfaction and Quality Strategy.

13.1.1 Ms Brown confirmed that the Board's risk would inform which areas internal audit will review. Internal audit will strengthen the link between strategic risks and the internal audit plan.

13.1.2 In light of the volume of work taking place around the 4 hour emergency care standard, the Committee agreed that it would be appropriate to carry out the audit on unscheduled care in the latter part of the year.

13.1.3 It was noted that the Midlothian audit had been deferred until 2019/20 to reflect a shift in the timetable for the production of the workforce plan. The final change to the plan was the deferral of the complaints feedback audit.

13.1.4 Mr Brown was confident that the resource within the internal Audit Team was sufficient to discharge the 2019/20 Internal Audit Plan.

13.1.5 The committee accepted the Internal Audit Progress Report June 2019.

13.2 Internal Audit Annual Report 2018/19 (June 2019) – Ms Brown drew attention to the audit opinion detailed at 5.3 and 5.4 of the report. Noting that during the course of the review the Internal Audit Team concluded on “no assurance” for two control objectives relating to the Edinburgh IJB Performance management framework. However, these findings were consistent with the IJB landscape at a national level and not unique to NHS Lothian therefore, they would not warrant inclusion in the Governance Statement.

13.2.1 The committee discussed the importance of avoiding duplication of work between the IJBs and the dissemination of shared learning from audit across each IJB. Ms Brown would work to ensure that these matters were picked up when planning audits in respect of the IJBs.

JBr

13.2.2 The committee accepted the Internal Audit Annual Report 2018/19.

14. 4 Hour Emergency Access Standard

14.1 The Chair introduced the paper and outlined the background to the report on 4 Hour Emergency Access Standard being presented to the Audit and Risk Committee, noting that the process was now complete and the report was coming back to the Audit and Risk Committee for completeness.

14.2 Mr Crombie provided an overview of the previously circulated paper. He highlighted the extensive work on culture, governance, staff and patient safety, the conclusion of the work from the Royal College's recommendations and the formal ending of the external support to NHS Lothian.

14.3 The Committee noted the timeline for bringing oversight back into the normal running of business. Long term goals would focus on addressing the demand at

the front door and delayed discharges. Mr Crombie advised that there were 17,906 attendances at emergency departments in April 2019, and 21,143 in May 2019. However since March 2019 there has been a sustained improvement in performance against the emergency access standard. Plans for medium and long term goals had been rehearsed with the external team and comments had been positive. Members recognised that understanding the drivers would be a key part of the work going forward.

14.4 The Committee noted the need for methodology that would facilitate organisational learning, recognising the key role which integration joint boards have for unscheduled care. .

14.5 The Committee acknowledged that further work was required in respect of culture, with 30% of people at the Royal Infirmary of Edinburgh and St John's Hospital feeling that they weren't treated with dignity and respect by colleagues, peers managers and the public. Mr Crombie recognised that culture in particular would be a difficult journey but one that NHS Lothian was committed to changing.

14.6 The Committee accepted this report as a source of significant assurance that senior management have continued to manage the 4 Hour Emergency Access Standard programme through assurance and delivery groups in line with the overarching plan, as derived from the Academy Report.

14.7 The Committee accepted this report as a source of moderate assurance that mechanisms were in place across all three adult acute sites to monitor performance against unscheduled care, and to support staff to design and implement a programme of improvement actions.

14.8 The Committee noted the direction of travel in respect of the 4 hour Emergency Access Standard and thanked Mr Crombie and his team the action take and the detailed paper. The Chair concluded that the Committee did not require a further detailed report on this subject, however asked Mr Crombie to present an update report to the Committee one year on from this point. Mr Crombie agreed to do so.

JC

14.9 Mr McQueen asked whether there was a Committee which has oversight of overall performance, which considers the investment of resources made by the organisation (finance, staffing, senior management), and the impact of that investment in performance. Ms Goldsmith suggested that the Finance & Resources Committee could take on this role, considering the relationship between the use of resources and the impact on the care deficit. The Committee supported this suggestion.

SG

*Dr Watson entered the meeting.
Ms Brown left the meeting.*

15. Theatres Improvement Programme

- 15.1 The Committee noted the previously circulated report on the theatres improvement plan brought to clarify issues that had rose from the April Internal Audit Report. The Committee recognised that it had been unfortunate on the day that there was no management representation available when the Committee considered the audit report in April.
- 15.2 Ms Carr gave a detailed presentation, noting the programme of work, areas of opportunity and the associated timescales. She acknowledged previous barriers to progress and joint actions to mitigate these going forward.
- 15.3 The Committee expressed concerns surrounding the governance and oversight of a project that had predicted savings of £3.7M for the organisation but due to poor management and a failure to engage with key staff had only achieved a saving of £78K. The Committee highlighted that there was a need for a robust infrastructure to provide assurance that there was a whole-system approach to implementation (of projects and other initiatives), which also supports whole-system learning. Members questioned moving forward how management could assure themselves and the Board that there was robust process of data examination, clear and consistent engagement with key players in the project, and how responsible people were held accountable.
- 15.4 Mr Crombie accepted the criticism related to the project to date. He assured the committee that the project had a new focus, that data would be robust and there would be live leadership of the project that would oversee the surgeons, the theatres teams and Ms Carr's Team.
- 15.5 Ms Carr assured the committee that work hours and availability of theatres and staff had been scrutinised to maximise capacity within the theatres going forward. A work plan had been devised and individuals would be held to account through their job plans and consultant level reviews.
- 15.6 Members noted that the lessons learnt from the theatres improvement project should be disseminated across the organisation to ensure that this type of failure was not repeated. Mr Crombie advised that all projects are now subject to more scrutiny than had been the case in the past, but acknowledged that a further report to the Committee would be appropriate to provide the Committee assurance on this. Ms Goldsmith commented that at the moment the Finance & Resources Committee does not have a systematic process to receive assurance on delivery. The Chair requested that Mr Crombie provide a report to the Committee on this subject within the next 12 months.
- 15.7 The committee took moderate assurance from the management responses to the audit recommendations as detailed in Appendix 1. All actions have been completed or are in-progress and up to date.
- 15.8 The committee noted the outlined successes to date, lessons learned and barriers to success within the report.
- 15.9 The committee supported the direction of the Theatres Improvement programme to put in place evolution strategies for each work stream to facilitate hand over to the operational teams.

JC

Ms Carr and Mr Crombie left the meeting.

16. Risk Management (assurance)

- 16.1 NHS Lothian Corporate Risk Register – Ms Gibbs presented the previously circulated report.
- 16.2 The committee noted that the Brexit risk will be considered by Healthcare Governance Committee (HCG) in July 2019 using the new template.
- 16.3 The committee accepted that a range of workshops and one-to-one meetings have taken place in preparation for moving to the new risk template by September 2019 and in response to internal audit recommendations.
- 16.4 The committee noted that the Healthcare Governance Committee will be recommending to the Board that the Management of the Deteriorating Patient risk be removed from the Corporate Risk Register. This was based on sustained improvement in cardiac arrests at a Lothian level and was supported by ongoing monitoring and improvement work. It was an example of a more dynamic approach to risk.

17. Internal Audit (Assurance)

- 17.1 Scottish Morbidity Records (SMRs) & Information Services Division (ISD) Reports (June 2019) – Mr Gustinelli presented the audit report that assessed the design and operation of the controls in place at NHS Lothian over the submission of SMRs to ISD. He highlighted that the report considered four control objectives, and there were 3 areas where a conclusion of moderate assurance has been reached:

- Roles and responsibilities with regards to when ISD monitoring reports and clear reporting lines.
- Clear ownership and accountability of actions identified by ISD.
- Errors preventing SMR submissions were identified and corrections were implemented in a timely manner.

- 17.1.1 Mr Connor noted that at point 2.2 within the report it stated that ‘The review comprised of four control objectives, of which three received Limited Assurance, with one receiving Significant Assurance’. Mr Gustinelli noted the typographical error and agreed to take forward correcting the final report out with the meeting. **AG**
- 17.1.2 Members were advised that there are practical challenges associated with the administration of SMR00, to ensure that the system reliably reflects whether or not a patient has attended a clinic. The system relies on their being an adequate administrative infrastructure at every location. The Committee agreed that the way that people interact with electronic systems need to change.
- 17.1.3 Dr Watson reported that the Access and Governance Committee accepted the bi-annual reports of such audits and their implication being presented to the Access and Governance Committee. He was mindful that the Access and Governance Committee did not become the ‘Data Quality Committee’ and although the committee were content to expand their remit to include such reports they could not take on any other matters relating to data quality. Mr Connor advised that the Information Governance Sub-Committee is overseeing data quality.

17.1.4 The Committee accepted the report.

Mr Egan and Dr Watson left the meeting.

17.2 Summary Report: Financial Controls, Cyber Security, General Practitioner (GP) Sustainability and Financial Sustainability (June 2019) – Mr Gustinelli spoke to the previously circulated report, giving a brief overview of the outcomes of each audit.

17.2.1 Mr Connor highlighted an issue within the Financial Controls audit report, which highlighted that team leaders do not always check significant changes to employees' standing data in the payroll system before they are processed. He noted that the management response was to remind staff of the need to do this, and advised that the response needs to be more robust. Ms Howard agreed to review which checks are essential, and take forward any necessary improvements..

DH

17.2.2 Mr McQueen highlighted an issue within the Financial Sustainability audit report. The issue relates to the organisation not holding individuals to account for slippage against their target level of savings. This is a key issue for line management and budget holders, given their individual responsibilities, rather than a financial recovery group. Mr Marriot advised the Committee that the vehicle for picking up performance against budgets would be the Sustainability and Value Group, which would in turn feed into the performance meetings. Ms Goldsmith acknowledged that there needed to be a shift towards a whole-system perspective, moving away from focusing on the delivery of allocated savings targets by individual departments and managers.

17.2.3 The committee accepted the report.

17.3 Sustainability and Value Group (June 2019) – the committee received the previously circulated report that considered the design effectiveness of the planned controls of the Sustainability and Value Group. The review comprised of four control objectives, of which one received Significant Assurance, with two control objectives receiving Moderate Assurance and one receiving Limited Assurance.

17.3.1 The committee recognised the Group was in its infancy, there was limited evidence of the Group scrutinising projects and taking action where lack of progress or insufficient data had been provided. It was also unclear how the Group were controlling change management resource within the organisation. This needed to be enhanced to ensure the Group held project teams to account.

Ms Mackay entered the meeting.

17.3.2 Mr McQueen expressed concerns regarding authority and accountability in light of the recent failures associated with the theatres improvement programme. He noted that if authority and accountability was not aligned with the project management oversight it would not achieve its goals. It was essential to have the right people who have the authority to make the decisions. Ms Goldsmith agreed that line management should be responsible and accountable for delivery, rather than it being owned by the finance directorate.

17.2.3 Mr Marriot would have oversight of the establishment of the project office. He reassured the committee that the functions of the project office would be robust.

17.3.4 Mr Ash concluded that there needed to be clarity as to who in the organisation can actually make things happen, and deliver outcomes. He raised concerns as to whether members of a group can actually do this, and suggested that there may need to be a review and development session on Best Value and the delivery of projects. The Committee agreed that a report should be brought back to the Committee on the sustainability and value work, giving more assurance of processes in place.

SG

17.4 Communications – Public Engagement Arrangements (June 2019) – the committee received the report that considered the design and operating effectiveness of the current approach to public engagement within NHS Lothian as well as considering future plans, and how these plans would mitigate risks identified by the Public Involvement Manager. The review comprised of three control objectives, of which two received Moderate Assurance and one received Significant Assurance.

17.4.1 There was evidence that those within the organisation understand the benefits of and requirement to engage with the public, however, there were varying practices being undertaken, which could benefit from more support in the form of best practice models and training for staff.

17.4.2 The committee noted that there would be risk associated to resources once the process was embedded within the organisation.

17.4.3 NHS Lothian recognised that public engagement requires improvement, including how the organisation systematically identifies, involves and engages stakeholders. It was noted that the public engagement officer post had been vacant for a long period. Ms Mackay recognised it was good to have public engagement but it was unclear how it should be done or what the definition of good public engagement was. She noted that it was a good opportunity to take stock of what the Board wants to achieve.

17.4.4 The committee accepted the report.

17.5 Edinburgh Integration Joint board Financial and Budget Management (May 2019) – Mr Gustinelli presented the report that assessed the adequacy of the arrangements established to support ongoing consolidated financial performance reporting to the Partnership's Chief Finance Officer, and review the design of the key financial governance and oversight controls established to support delivery of delegated services by partner organisations within agreed budgets. The area under review comprised 5 control objectives, of which all received Moderate Assurance.

17.5.1 Mr Gustinelli drew attention to management action 5 relating to detailed plans to deal with overspend and the lack there of. The committee agreed to carry the item forward to the August agenda and extend a further invitation to the Edinburgh Integrated Joint Board, as to give them another opportunity to attend the meeting.

AP

17.5.2 The committee accepted the report as a final report.

Ms Mackay left the meeting.

- 17.6 Follow-up of Management Actions Report (June 2019) – the committee noted the standard follow-up of management actions report and the information therein. Mr Gustinelli noted that there had been a slight increase in the number of actions remaining outstanding. He advised that internal audit would continue to monitor the situation closely.
- 17.6.1 The committee accepted the report.
- 18. Counter Fraud (Assurance)**
- 18.1 Fraud Referrals & Operations for year ended 31 March 2019 – The Committee accepted the report as a summary of the Counter fraud activity within the year. The Committee agreed that the report provided a significant level of assurance that all cases of suspected fraud were accounted for and appropriate action was taken.
- 19. Corporate Governance (Assurance)**
- 19.1 Introduction to the Committee Annual reports – Mr Payne introduced the 2018/19 annual report format and the Committee accepted the briefing detailed therein.
- 19.2 2018/19 Annual Report from the Healthcare Governance Committee – The Committee accepted the report as a significant source of assurance that the Governance Statement is informed by the views of the committee.
- 19.3 2018/19 Annual Report from the Finance and Resources Committee - The Committee accepted the report as a significant source of assurance that the Governance Statement is informed by the views of the committee.
- 19.4 Staff Governance Committee Annual Report period report 2018/19 – The Committee accepted the report as a significant source of assurance that the Governance Statement is informed by the views of the committee.
- 19.5 Information Governance Sub-Committee Annual Report 2018/19 – The Committee accepted the report as a significant source of assurance that the Governance Statement is informed by the views of the committee.
- 19.6 Acute Hospitals Committee Annual Report 2018/19 – The Committee accepted the report as a significant source of assurance that the Governance Statement is informed by the views of the committee.
- 19.7 National Services Scotland Service Audit Reports 2018/19
- 19.7.1 No material issues had been raised therefore the Committee agreed to accept the reports from the service auditors as a source of significant assurance with respect to the systems of internal control relating to the National Single Instance Financial Ledger, Practitioner Services and the National IT Services contract.

19.8 Schedule of Losses – SFR 18.0

19.8.1 Ms Howard spoke to the previously circulated report drawing attention to the summary of losses and payments over the period of 2018/19. She noted that the recent salary write-off would not appear in the 2018/19 summary of losses until it had been signed off by Scottish Government.

19.8.2 The Committee agreed to take a significant level of assurance on the internal losses controls and that the Board were continually reviewing and evaluating changes to improve the effective systems for internal financial controls.

19.9 Edinburgh and Lothian's Health Foundation Annual Report and Accounts 2018/19

19.9.1 The committee noted that there had been a review of the charitable funds and that they were found to be a clean set of accounts, and there had been no issues raised.

19.9.2 The Committee accepted this report as a source of significant assurance that management have prepared the Annual Report and Financial Statements of the Foundation for 2017/18, Scott-Moncrieff had carried out an external audit of the accounts, and had provided an unqualified audit opinion.

19.10 Patients Private Funds Annual Accounts 20118/19

19.10.1 The Committee agreed to:

- Accept the management letter from Scott-Moncrieff as a source of significant assurance in relation to the draft annual accounts and the underlying systems of internal control.
- Recommend to the Board that the Chairman and Acting Chief Executive sign the "Statement of Lothian NHS Board Members' Responsibilities" on the Board's behalf.
- Recommend to the Board that following the Board's consideration, the Director of Finance and the Acting Chief Executive sign the "Abstract of receipts and Payments" (SFR19.0).
- Recommend to the Board that the Board approve the draft Patients' Private Funds accounts for the year ended 31 March 2019.

20. Annual Accounts (decision)

20.1 Governance Statement

20.1.1 The Committee accepted this report as a source of significant assurance that the process to develop the Governance Statement was consistent with the associated instructions and good practice.

20.1.2 The Committee reviewed the Governance Statement, did not identify any further required disclosures, and agreed it should be included in the annual accounts.

20.2 Management Representation Letter

20.2.1 The Committee reviewed the draft Representation Letter to the external auditors confirmed that the statements represented confirmation to the external auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2019, and agreed to recommend that the letter be signed by the Chief Executive of NHS Lothian.

20.3 NHS Lothian Annual Audit Report 2018/18

20.3.1 Mr Brown and Mr Eardley gave an overview of the report highlighting how the report was collated, key findings and the audit certificate.

20.3.2 The Committee accepted the report as a source of assurance to inform its review of the annual accounts.

20.3.3 Mr Murray confirmed that during the course of the meeting he identified areas that strategic planning could take ownership of and the associated infrastructure: Project Management, Management contribution, theatres improvement, care deficit, lessons learnt (wider aspect) and bridging the gap between NHSL and IJBs. He proposed that the committee invite the Strategic Planning Committee to take a view on the proposal and feedback at a future meeting. **AMcM**

20.4 NHS Lothian Annual Accounts for Year End 31 March 2019

20.4.1 The Committee agreed to recommend to the Board that they adopt the Annual Accounts for the year ended 31st March 2019 and recommend to the Board to authorise the designated signatories to sign the Accounts on behalf of the Board.

20.5 Audit Committee Annual Report and Assurance Statement 2018/19

20.5.1 The Committee approved the annual report and assurance statement 2018/19.

20.6 Notification to Scottish Government Health Department Health and Wellbeing Audit Committee

20.6.1 The Committee approved the letter to the Scottish Government Health & Social Care Assurance Board.

21 Date of Next Meeting

21.1 The next meeting of the Audit and Risk Committee will take place at **9.00** on **Monday 26 August 2019** in **Meeting Room 8&9, Fifth Floor, Waverley Gate.**

Chair Signed 03/10/19
Original held on file

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday, 26 August 2019 in Meeting Rooms 8 & 9, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present:

Mr M Ash (Chair), Non-Executive Board Member; Mr B McQueen, Non-Executive Board Member; Mr P Murray, Non-Executive Board Member; Mr M Connor Non-Executive Board Member Councillor J McGinty, Non-Executive Board Member and Dr R Williams, Non-Executive Board Member.

In Attendance:

Ms J Bennett, Associate Director of Quality Improvement and Safety; Ms J Brown, Chief Internal Auditor; Mr D Eardley, Scott Moncrieff; Mr C Marriott, Deputy Director of Finance; Mr J Old, Financial Controller; Mr A Payne, Head of Corporate Governance; Dr S Watson, Chief Quality Officer and Miss L Baird, Committee Administrator.

Apologies: None

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

22. Minutes of the previous meeting held on 17 June 2019.

- 22.1 The minutes of the meeting held on 17 June 2019 were accepted as an accurate record subject to one minor change:
- Item 14.5: The Committee acknowledged that further work was required in respect of culture, with 30% of people at the Royal Infirmary of Edinburgh and St John's Hospital feeling that they weren't treated with dignity and respect by colleagues, peers managers and the public.

23. Running Action Note

- 23.1 The committee noted the actions marked complete and those that were not due for consideration detailed within the report.
- 23.2 The committee discussed the mapping of risks across the Integration Joint Boards (IJBs) and Health and Social Care Partnerships. Members recognised that there were similar risks across the service. Work to link risk so that they read across the whole system and were recognisable to all was ongoing. The completed map would be considered by the Integrated Care Forum in due course.
- 23.3 The committee accepted the running action note.

24. Risk Management (assurance)

- 24.1 NHS Lothian Corporate Risk Register – Ms Bennett presented the previously circulated report.
- 24.2 The committee noted that the Board had accepted a new risk on the Corporate Risk Register associated with the delay in providing clinical care for the Royal Hospital for Children & Young People (RHCYP) and Department of Clinical Neurosciences (DCN) on the Royal Infirmary of Edinburgh campus. Mr McQueen requested that Ms Bennett identify which governance committees would have oversight of the risk ensuring that it was transparent within future reports. **JBenn**
- 24.3 There was no mention of reputational risk to the organisation for those risks with a service delivery focus within the public domain. Members questioned whether this should be recognised within the document.
- 24.4 It was noted that the August 2019 Board had accepted a new risk on the Corporate Risk Register associated with the delivery of NHS Lothian's Level 3 Recovery Plans to agreed timescales.
- 24.5 It was noted that the new Brexit risk received moderate assurance from the July 2019 Healthcare Governance Committee and that the committee agreed to embed a set of questions into the Risk Register papers to improve identification and response to risk to quality of care.
- 24.6 The committee accepted that a range of workshops and one-to-one meetings have taken place in preparation for moving to the new risk template by September 2019 and in response to internal audit recommendations.
- 24.7 The Committee accepted the report.

25. Internal Audit (Assurance)

- 25.1 Internal Audit Progress Report (August 2019) – Ms Brown advised the committee that the planned adverse events review has been revised to focus on the new Duty of Candour Legislation and that the planned audit of recruitment was not appropriate at this time. An alternative audit of the early careers and apprenticeships had been proposed as a replacement. She noted that the recruitment audit would be picked up in Q1 2021 to allow regional work to mature.
- 25.1.1 Members noted the reduction of capacity within the Internal Audit Team following a recent departure from the team. Ms Brown would take the opportunity to consider the current and future skillset of the internal audit team and commence a recruitment exercise. This would strengthen the team and support the developing plans to potentially consider a regional internal audit co-source model involving NHS Fife and NHS Borders.
- 25.1.2 Ms Brown had met with the Chief Internal Auditors of the 4 IJBs. Discussions had been positive. The Group agreed in the first instance to review and propose some updates to the principles which can then be discussed with the Chief Officers and IJB Audit and Risk Committee chairs. She would bring final proposals to the NHS Lothian Audit and Risk Committee in November. The Committee noted the importance of joint working to building relationships with partners and reduce duplication of work.

Mr Ash highlighted that it would be useful if the Chief Internal Auditors could clarify what are IJB issues, what are HSCP issues, and a single statement issued to a wider audience to summarise the outcome from this. Ms Brown explained that going forward the NHS Lothian internal audit team needs to concentrate on HSCP issues, however the team would make the IJB Chief Internal Auditors aware of any findings which are pertinent to IJBs. Dr Williams highlighted that it was crucial that the audit teams avoid duplication.

25.1.3 There was agreement that a formal process of sharing information should be built into the system so that there was clarity and consistent reporting across organisations.

25.1.4 Members did not agree with the proposal to defer an audit of recruitment in favour of a review of the approach to early careers and apprenticeships. Recruitment was high on the Board's agenda and Brexit would only make recruitment more difficult. They recognised that the proposed delay would allow time for new processes to embed and regional work to mature but did not agree that there was justification for the length of the delay. Councillor McGinty proposed delaying to summer 2020 if necessary. The Committee requested that the Director of Human Resources & Organisational Development be invited to present a report on the wider issue of recruitment at the next Audit and Risk Committee. The Committee highlighted that it needed to understand the link between recruitment and the safe staffing legislation, and have a clearer understanding of what internal audit can review in relation to recruitment, and what other governance committees are looking at. Ms Brown advised that she would explore the possibility of undertaking some work in quarter 4 of 2020/21 and would discuss this with the Director of Human Resources & Organisational Development..

JBr/JB

25.1.5 The committee accepted the Internal Audit Progress Report August 2019.

25.2 Reports where all control objectives that provide significant assurance – the committee accepted the report where all objectives that provide significant assurance.

25.3 Edinburgh Integration Joint Board Financial and Budget Management (May 2019) – Members noted that the report was initially presented to the June Meeting and there was agreement to defer the report to the August meeting to give a representative of the Edinburgh IJB opportunity to attend. It was noted that there was no one in attendance for the meeting and the Committee would consider the report in their absence.

25.3.1 The committee accepted the report taking comfort from the assurance within the comprehensive report. The Committee agreed that it was content that the IJB had considered the report through its systems.

25.4 Follow-Up of Management Actions Report (August 2019) – Ms Brown advised that 21 actions were closed since the previous meeting and one action had slipped over the 3 month period.

25.4.1 The committee accepted the report.

26. Counter Fraud (Assurance)

- 26.1 Counter Fraud Activity – Mr Old updated the Committee on counter fraud related activities since the June meeting. He noted that since 26th July 2019 2 referrals were open and 5 operations were ongoing.
- 26.1.1 The Committee noted that due to the Scottish Government's view of overseas patients CFS would no longer report these to the Board. For any individual identified as liable to healthcare charges the Board would raise an invoice to the individuals for the cost of the healthcare received.
- 26.1.2 Mr McQueen noted that the appendix detailing the cases closed did not contain information relating to whether fraud had been committed or not. Mr Old advised that in most cases there was insufficient evidence of fraud or the procurator fiscal had declined to take the case forward. Mr Old advised that when a case is escalated to an investigation then it does lead to recommendations. Mr Murray asked whether there is ever an analysis of themes within recommendations which leads to a change in policy. Mr Old agreed to seek feedback from CFS on the outcomes of the investigations and include narrative in future reports.
- 26.1.3 It was noted that the full report in respect of operation Ariston would follow in due course. Recommendations from the report would be taken into consideration. A continued commitment to tighten processes in light of lessons learnt from cases of fraud was noted.
- 26.1.4 The committee accepted the report.

JO

Ms Brown left the meeting.

Ms Addison entered the meeting.

27. Corporate Governance (Assurance)

- 27.1 Update on Internal Audit – Procurement and Future Internal Audit Staffing - The committee approved a 10 month contract extension with Grant Thornton UK LLP to provide a co-sourced internal audit service to 30 June 2020.
- 27.2 The committee noted the progress in exploring the provision of a regional internal audit service.
- 27.3 The committee accepted the report.
- 27.2 Operation Unicorn – Ms Addison gave a detailed overview of operation unicorn.
- 27.2.1 The committee acknowledged the operational risk to the organisation in the event of operation unicorn being activated. Next steps would focus on performing an impact assessment to present to the Board.
- 27.2.2 The committee thanked Ms Addison for her presentation and she left the meeting.
- 27.3 Assurance on governance arrangements regarding the Royal Hospital for Sick Children & Young People and Directorate of Clinical Neurosciences – Mr Marriott presented the report. .
- 27.3.1 The KPMG report has not yet been published. Consequently this report simply sets out the governance oversight arrangements that are in place to oversee any

issues that may emerge from the Scottish Government's commissioned reviews, and the RHCYP/DCN generally.

27.3.3 The Committee accepted the report as a source of significant assurance that there are adequate governance arrangements in place to oversee and consider any issues that may emerge from the Scottish Government's commissioned reviews, and the RHCYP/DCN generally.

27.3.4 The Committee asked for a further report on this subject be presented to its next meeting so that it remains sighted on the issues. **SG**

27.4 Scheme of Delegation – Mr Payne spoke to the previously circulated paper. Key issues related to whether it was appropriate for the Director of Finance approve some of the suggested amendments within the scope of her delegated authority to approve amendments.

27.4.1 The Committee did not have any further feedback on the Scheme, and agreed it was appropriate for the Director of Finance to approve the amendments without further recourse to the Board.

28. Any Other Competent Business

28.1 There were no other items of competent business.

29. Date of Next Meeting

29.1 The next meeting of the Audit and Risk Committee will take place at **9.00** on **Monday 25 November 2019** in **Meeting Room 8&9, Fifth Floor, Waverley Gate**.

30. Reflections on the Meeting

30.1 The Committee discussed the change in process for the approval of minutes and the timings for the committee to feed into the Board. It was noted that at each meeting the minutes would be signed off by the chair once they were approved, only then would the minute be considered final and submitted for consideration to the Board.

30.2 'Reflections on the meeting' would be a standing item on all future Audit and Risk Committee agendas. Members were invited to raise concerns or flag issues that they wish to be highlighted to the Board in advance of the minutes being submitted.

30.3 Members agreed that the Chair would highlight to the Board the change the change to the Scheme of Delegation, and the ongoing work with the IJBs on internal audit and risk.

Chair Signed 27/11/19
Original held on file

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday, 25 November 2019 in Meeting Rooms 8 & 9, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present:

Mr M Ash (Chair), Non-Executive Board Member; Mr B McQueen, Non-Executive Board Member; Mr P Murray, Non-Executive Board Member; Mr M Connor Non-Executive Board Member and Dr R Williams, Non-Executive Board Member.

In Attendance:

Ms J Butler, Director of Human Resources and Organisation Development; Ms J Brown, Chief Internal Auditor; Mr D Eardley, Scott Moncrieff; Ms S Gibbs, Quality & Safety Assurance Lead; Ms S Goldsmith, Director of Finance; Ms D Howard, Head of Financial Services; Mr C Marriott, Deputy Director of Finance; Mr J Old, Financial Controller; Mr A Payne, Head of Corporate Governance; and Miss L Baird, Committee Administrator.

Apologies: Councillor J McGinty, Non-Executive Board Member.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

31. Proposed Internal Audit of Recruitment

- 31.1 Members noted the previously circulated paper in response to concerns highlighted at the June Audit and Risk Committee about the proposed deferral of the internal audit on recruitment. Recruitment had been assigned to the 2019/20 plan as part of a rolling programme of work. It was acknowledged that the proposed deferral was to allow time for a regional programme of recruiting to embed. Workforce planning had been proposed as a suitable replacement for the recruitment in Q4. The Chief Internal Auditor and the Director of Human Resources proposed that the internal audit of recruitment would be scheduled within the 2020/21 Internal Audit Plan.
- 31.2 Mr Murray questioned whether it was the right time to delay an internal audit report on recruitment with the spotlight of the media on NHS Lothian and whether it would be perceived negatively by the public. He went on to draw the committee's attention to the anticipated Workforce Plan from Scottish Government and the timeliness of the internal audit report. Ms Butler advised that at this time an internal audit on recruitment would not provide the assurance the committee requires on workforce supply. Long terms goals with workforce planning would address concerns in respect of recruitment. Recruitment is essentially a transactional process, rather than the solution to workforce risk.
- 31.3 Ms Butler advised the committee that in preparation of the expiration of the NHS Lothian Workforce plan, a 3 year rolling plan was being devised. The final NHS Lothian plan would be cross checked against the Scottish Government's 2019 workforce plan before it is published. As the governance committee with oversight of workforce, the Staff Governance Committee would review the content of the proposed plan in February 2020.

- 31.4 Ms Butler acknowledged Dr Williams concerns surrounding the primary care element of the workforce plan and the lack of information within the paper presented. Dr Williams recognised that the preparatory work that had provided projected figures for the General Medical Contract, Pharmacy and Advanced Practice, recognising that there was no underpinning evidence surrounding training etc. Ms Butler agreed to pick these matters up with management to ensure that key primary care colleagues were involved in the development of the plan.
- 31.5 The Chair noted that the committee was in danger of trying to anticipate the outcome of the upcoming internal audit. He proposed that members accept the phased approach presented and await the outcome of the internal Audit report through the normal process.
- 31.6 The committee agreed to support the proposal to defer the audit on recruitment, with the assurance that the Q4 workforce planning audit will pick up workforce supply risk and the measures that are being taken to mitigate risks.
- 31.7 The committee accepted the report, recognising that the NHS Lothian Workforce Plan will set out the key actions that NHS Lothian will be taking to address professional and service sustainability pressures.

JB

32. Internal Audit Report – Staff Satisfaction (October 2019)

- 32.1 Ms Butler accepted the internal audit of Staff Satisfaction as a fair audit noting that iMatter was a process of continuous improvement.
- 32.2 Ms Butler noted that committee's concerns about the level of rigour employed around the process of following up against iMatter action plans and barriers to access. She noted that actions to mitigate concerns surrounding IT access and following up actions and outcomes were in progress.
- 32.3 The committee accepted the report.

Ms Butler left the meeting.

33. Minutes of the previous meeting held on 26 August 2019

- 33.1 The minutes of the meeting held on 26 August 2019 were accepted as an accurate record.

34. Running Action Note

- 34.1 The committee noted the actions marked complete and those that were not due for consideration detailed within the report.
- 34.2 The committee noted that work to review and propose some updates to the principles which can then be discussed with the Chief Officers and IJB Audit and Risk Committee chairs was in progress. Ms Brown would bring back a formal protocol for consideration to the February meeting of the Audit and Risk Committee.
- 34.3 The committee accepted the running action note.

JBr

The Chair welcomed Mr Aitken to the meeting.

35. Internal Audit Report – Hospital Sterilisation Decontamination Unit (November 2019)

- 35.1 Ms Brown spoke to the previously circulated report. She noted that the area under review comprised of 5 control objectives, of which 3 received significant assurance, and 2 received moderate assurance. The assurance provided within the report was limited to the controls in place to develop and test resilience plans within NHS Lothian, and Ms Brown recognised that a high inherent risk remains present should the unit have an unforeseen closure. Ms Brown confirmed she was content with the management actions set out in response to the report.
- 35.2 Members were concerned that Track and Trace had been proven unreliable in the past and questioned whether reliance could be placed upon the system. Mr Aitken assured the committee that Track and Trace would be piloted in Neurology. There will be an assessment to determine whether Track and Trace is suitable and can deliver its objectives before it is fully rolled out in 2022.
- 35.3 There was some discussion surrounding the oversight of projects and funding in terms of best value within the organisation to ensure that the Board was learning lessons from previous projects such as the Theatres improvement programme. There was acknowledgement that the role of oversight of such projects would fall to the Finance and Resources Committee rather than Audit and Risk. In terms of the oversight of the management actions these would be fed back to members through the routine follow-up work by the internal auditors.
- 35.4 Mr Aitken welcomed comments from members noting that the internal audit report was a fair report. The Chair thanked him for attending and he left the meeting.
- 35.5 The Committee accepted the report.

36. Assurance Report on Sustainability and Value

- 36.1 Mr Marriott introduced the previously circulated report on the Sustainability and Value (S&V) work of the organisation, providing increased levels of assurance that there were robust processes in place to develop and deliver S&V plans. Mr Marriott provided additional context to actions and mitigated concerns surrounding oversight that would be implemented over the 3 to 5 year period.
- 36.2 The Committee's discussion highlighted Best Value, noting the interest that both integration joint boards and the NHS Board have in the subject. The Committee expressed interest in how the Project Network Office (PNO) approach would support all organisations with Best Value. There was agreement that a broader view of best value, quality, research and innovation should be explored as part of future financial plans, and the Board's development of its corporate objectives.
- 36.3 The committee agreed that there needed to be a focus on where the organisation invests support and what rigour and assessment is in place to oversee projects. This is to ensure that they are sustainable and provide best value. It was noted that the challenge would be tailoring support to each project's specific needs. Further work is required to develop a system of oversight that would systematically prompt post-project learning, review implementation of outcomes, and how these contribute to sustainability of the organisation.

36.4 In light of comments made and the developing landscape further consideration of the Sustainability and Value Remit was required. Mr Marriot and Ms Goldsmith would bring a report back in the summer to update the committee on the progress made. **SG/CM**

36.5 The committee the update in respect of S&V and progress to date.

37. Risk Management

37.1 NHS Lothian Corporate Risk Register – Ms Gibbs introduced the previously circulated report. She drew the committee’s attention to the risks in respect of the Royal Edinburgh Hospital, recovery templates, the reduced nursing risk grading and Q2 updates in the new format.

37.1.1 Members questioned whether the risk rating assigned to the RHSC/DCN financial risk was too great. Mr Marriott confirmed that that risk to the organisation of not moving to the new site and double running was significant. It attributed to an additional cost of £1.4 Million per month to the organisation. Oversight of the RHSC/ DCN work remained tight with Government meeting with the Board weekly or twice weekly depending on need. Ms Gibbs agreed to consider whether as the risk moves on whether it would be beneficial to separate out the clinical care of the patients and the financial risk to the organisation to accurately reflect the level of risk associated with each element of the risk. **SG/SG**

37.1.2 Mr Murray questioned whether the risk rating assigned to 3726 (delayed discharges) was a dis-service to the hard work employed by the IJBs to bring down delayed discharges in the recent months. He noted that reporting positives was equally important as highlighting risk to the organisation. Ms Gibbs advised that the matter had been picked up with Ms Campbell as the owner of the risk, recognising that the move to reduce the risk may have been delayed until the winter period had passed.

37.1.3 Mr Murray noted that risk 3726 gave the Board an opportunity to consider how risk involving integrated services were considered and reported in future. He noted that shared responsibility of risk was not laid out in the Corporate Risk Register at this time. The Chair noted that Audit and Risk Committee would only pick up those risks relating to the Board, noting that it would be for the Integrated Care Forum’s role to pick up those matters concerning commissioning services.

37.1.4 The committee noted that the Board approved the corporate risks on the new template which aims to demonstrate the relationship between the corporate risk, associated strategic plans and measures to illustrate the adequacy of controls resulting in a more holistic view of risk management. A template in the new format has been completed for the new risk: the Royal Hospital for Children & Young People and Department for Neurosciences and template is in development for the new risk: the delivery of NHS Level 3 Recovery Plans.

37.1.5 The Committee noted that the Board accepted a new risk with respect to lack of bed availability at the Royal Edinburgh Building resulting in patients being boarded overnight in other specialities, being out of area or sleeping in areas within wards not designed for this purpose. A template for this risk is also in development.

- 37.1.6 The Committee noted that all of the actions required from the internal audit of risk management have been completed and agreed as closed.
- 37.1.7 The Committee noted the outcome of the mapping exercise across health, social care (councils) and Integration Joint Boards (IJB).
- 37.1.8 The Committee accepted the report.

38. Internal Audit (Assurance)

38.1 Internal Audit Progress Report (November 2019) – Ms Brown advised the committee of staffing levels and resource within the internal audit team. Ms Brown noted that the proposed scheduled of audits had been ambitious and challenging. She remained confident that all audits within the 2019/20 plan would be complete by the end of the financial year.

38.1.1 Discussions at the Finance and Resource Committee and the subsequent private Board meeting in October, led to a request for an internal audit on aspects of the Royal Hospital for Children and Young People. It was noted that the review would not duplicate work already done. Instead the focus would be on internal controls, what controls failed and why. An additional meeting of the Audit and Risk Committee had been scheduled to consider the final report of the first phase of the audit on 13th January 2020. Resource for the additional audit would be split between current resource and additional audit days.

38.1.2 In addition to the internal audit, the Auditor General will be publishing a Section 22 report on the project. .

38.1.3 It was noted that Internal Audit had started the preparatory work to consider which documents NHS Lothian had. Further discussions with the Scottish Futures Trust and the technical advisors would take place to understand the logic behind where and why there were failings within the project.

38.1.4 It was noted that the Edinburgh IJB final report scheduled to come to the November meeting of Audit and Risk had been delayed until February 2020. Ms Brown would check whether the report would go to the audit committee of Edinburgh IJB in advance of coming to the Audit and Risk Committee and feedback through the running action note.

JBr

38.1.5 One report remains at the planning stage – Regional Planning (Diabetes). Internal Audit noted that as the service moves to focus on regional working they would consider whether the audit of Diabetes was the best use of resources and report back.

JBr

38.1.6 Staff Lottery – Mr Marriott advised that following advice from the CLO NHS Lothian would be seeking to close the staff lottery. Due to the number of staff participating in the lottery it had grown to be categorised as a ‘large lottery’ that was no longer appropriate for the organisation to run. The Committee will receive an update report at its meeting in February 2020.

CM

38.1.7 The committee noted that Staff Governance committee should be approached in respect of the staff lottery given staff involvement.

CM

- 38.1.8 The committee accepted the Internal Audit Progress Report November 2019.
- 38.2 Internal Audit Quality Strategy – Ms Brown advised there was limited assurance that controls were in place across NHS Lothian to provide assurance to the Board that the Quality Strategy was being implemented. The report gave ‘no assurance rating’ to the objective that the programmes/ networks agreed and undertaken in 2018/19 made a positive contribution to NHS Lothian delivering the Quality Strategy. Overall Internal Audit Team had experienced difficulty in assessing the internal controls in place and the management response had been brief.
- 38.2.1 Members expressed their disappointment in the lack of a robust framework, strategy for implementation, and consistency across the organisation. Mr Murray noted that the report mirrored comments at the Board regarding the lack of control and structure around the process. He went on to question how the quality work aligned with financial strategy and value for money.
- 38.2.2 Mr McQueen recognised that there were very good examples of quality work within the system but there was no joined-up approach. This was concerning given the funding invested in the quality programme. Ms Goldsmith assured the committee that a recent request for funding for the Quality Programme had been put on hold due to a lack of evidence to support increased funding.
- 38.2.3 The committee were disappointed that there was no one present from the management team to respond to the concerns highlighted. Members requested that the observations and the management actions from the internal audit report should be shared with all Non-Executive Board Members in advance of the Board meeting; whether the report would be circulated with the Board paper or issued separately would be determined by Dr Watson.
- 38.2.4 The committee accepted the report.
- 38.3 Internal Audit Report - Private Patient Funds – Members noted that internal audit report which had six recommendations. There was one area of high risk relating to the process for managing funds relating to corporate appointeeship or power of attorney granted. Ms Brown confirmed she was content with the management actions and responses in place.
- 38.3.1 Members noted the typographical error on page 7 of the internal audit report. The sentence should read ‘SLWG will also provide NHS Lothian staff with process overview and guidance with 6 Internal Audit training sessions available for staff. This will be completed by 31 March 2020’.
- 38.3.2 The rigour surrounding corporate appointeeship or power of attorney had been a long standing issue within the Royal Edinburgh Hospital site. Management have contacted social services and citizen’s advice to ensure that there was consistency across the 6 Local Authorities. Members were assured that that work to resolve the matter was underway.
- 38.3.3 The committee discussed version control of policies and guidance and how this was overseen within the organisation as a whole. Ms Goldsmith noted that this was a matter that should that should be picked up by each director when they sign off the assurance letter in respect of the systems of control for their directorate. Members agreed to pass their observations that more rigour surround the process of version control was required to the Board.

SW

- 38.3.4 The committee accepted the report.
- 38.4 Internal Audit Report – Duty of Candour – The Committee accepted the internal Audit report on Duty of Candour and the assurance therein.
- 38.5 Follow-Up of Management Actions Report (November 2019) – Ms Brown drew the committee attention to the revision of the Theatres Improvement actions and timeline for completion. She noted that she was comfortable with the proposed revisions.
- 38.5.1 It was noted that the number of actions rose and outstanding management action was low in comparison to the size of the Board. For those actions that had slipped past their due date there were valid reasons cited.
- 38.5.2 The committee accepted the report.

39. Counter Fraud (Assurance)

- 39.1 Counter Fraud Activity – Mr Old updated the Committee on counter fraud related activities since the August meeting, noting the revised format in response to concerns raised at the August meeting. As at 11 November 2019, 5 referral and 5 operations were open. Mr Old would continue to develop the format of the report to meet the committee's needs.
- 39.1.1 Members discussed whether referrals were made to the registration body for those cases of fraud including professionals. Mr Old advised that a referral would be made depending of the nature of the offence. It was noted that referrals were in addition to requirements placed on professionals to self-report cases of fraud under the terms of their license.
- 39.1.2 The Committee accepted the report as a briefing on the current status of counter fraud activity.
- 39.1.3 The Committee agreed that the report provides a significant level of assurance that all cases of suspected fraud are accounted for and appropriate action was taken.

40. Corporate Governance (Assurance)

- 40.1 Audit Scotland: NHS in Scotland 2019 - The committee received the previously circulated report noting the key messages therein.
- 40.1.2 Members questioned the practicalities of assigning actions to two bodies and potential for actions to missed as a result. Mr Houston took an action to pick this matter up at the NHS Chair's Group.
- 40.1.3 The committee accepted the report.
- 40.2 Write-off of Overseas Debt – Mr Howard presented the paper that requested that the Audit and Risk Committee authorise the Director of Finance to approach Scottish Government to request that they write off £30,077 relating to medical treatment. The overseas team had made every attempt to recover the money unfortunately the untimely death of the patient and lack of family estate to pay the debt had resulted in a request to write off the debt.

BH

- 40.2.1 Members accepted that the write of the debt under these circumstances was unavoidable. They agreed that the Director of Finance should approach SGHSCD for its approval to write-off this loss.
- 40.3 South East Payroll Services Programme – Mr Marriott presented the previously circulated paper advising the committee of plans to move to a regional payroll process for 8 Boards. The proposed regional programme of work would come with both benefits and risks to the organisation if NHS Lothian was successful in bidding for the contract. Members were assured that no decision had been made at this time and if successful all 8 Boards must agree to implement the successful plan going forward.
- 40.3.1 Members were concerned that NHS Lothian had a lot to focus on and questioned why the organisation would put itself forward to host this service. Mr Marriott noted the challenges that the organisation was currently facing but recognised that as one of the largest Boards within the regional plan that a position to affect change would be valuable. A number of the Boards who had the opportunity to bid did not have the volume or complexity of transactions within their area, and therefore had limited experience of dealing with these. He noted that one viable alternative would be NSS if NHS Lothian was not successful.
- 40.3.2 NHS Lothian has had a challenging relationship with payroll services and it was hoped that a move to a regional service would see the implementation of a robust service. It was noted that whatever the outcome there would be amendments to the Risk Register.
- 40.3.4 The Audit & Risk Committee took significant assurance that the South East Payroll Project Board has completed a full option appraisal process which has been identified the preferred option.
- 40.3.5 The committee accepted the report

Mr McQueen left the meeting.

- 40.4 Scheme of Delegation – The committee reviewed the Scheme of Delegation and agreed to recommend the Scheme to the Board for its approval.
- 40.5 Litigation Report – The committee accepted the report as an annual update on litigation activity in terms of numbers, financial impact and recurring themes. The proposed level of assurance was significant for the effectiveness of the processes and moderate in terms of evidence of learning after cases are closed.
- 40.5.1 The committee approved plans to strengthen processes for learning from claims, and note some examples of high value claims provided in the paper.
- 40.5.2 The committee noted programmes of work in place to improve management of and response to adverse events which may result in fewer settled claims, but recognising that events resulting in a claim were not always part of an adverse event process.

41. Any Other Competent Business

- 41.1 There were no other items of competent business.

42. Date of Next Meeting

42.1 The next meeting of the Audit and Risk Committee will take place at **9.00** on **Monday 13 January 2020** in **Meeting Room 8&9, Fifth Floor, Waverley Gate.**

43. Reflections on the Meeting

- 43.1 Members agreed that the Chair would highlight the following items to the Board:
- How audit interacts between the IJBs and across NHS Lothian and consider whether the Risk register needs to be altered to take account of whole system working.
 - Alert the Board to the discussions surrounding Best Value, Quality and Research and Innovation with the possibility of taking a full item to the Board.

Signed by the Chair on 14th February 2020
Original saved in folder

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday, 13 January 2020 in Meeting Room 8, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present:

Mr M Ash (Chair), Non-Executive Board Member; Mr B McQueen, Non-Executive Board Member; Mr P Murray, Non-Executive Board Member; Mr M Connor Non-Executive Board Member Councillor John McGinty, Non-Executive Board Member; and Dr R Williams, Non-Executive Board Member.

In Attendance:

Ms J Brown, Chief Internal Auditor; Mr C Brown, Scott Moncrieff; Mr M Hill, Chair Finance and Resources Committee, Non- Executive Board Member; Mr B Houston, Chairman; Mr C Marriott, Deputy Director of Finance; Mr A Payne, Head of Corporate Governance; and Miss L Baird, Committee Administrator.

There were no apologies for absence.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

44. Minutes of the previous meeting held on 25 November 2019

44.1 The minutes of the meeting held on 25 November 2019 were accepted as an accurate record subject to the following amendments (which are underlined and in bold):

- **31.6:** The committee agreed to support the proposal to defer the audit **on** recruitment, with the assurance that the Q4 workforce planning audit will pick up workforce supply risk and the measures that are being taken to mitigate risks.
- **38.2:** Internal Audit Quality Strategy – Ms Brown advised there was limited assurance that controls were in place across NHS Lothian to provide assurance to the Board that the Quality Strategy was being implemented. The report gave ‘no assurance rating’ to the objective that the programmes/ networks agreed and undertaken in 2018/19 made a positive contribution to NHS Lothian delivering the Quality Strategy. **Overall Internal Audit Team had experienced difficulty in assessing the internal controls in place and the management response had been brief.**

45. Running Action Note

45.1 The committee noted the actions marked complete. Those marked ongoing would be updated in advance of the February Audit and Risk Committee.

45.2 Staff Lottery – Mr Marriott advised that committee that the staff lottery has been closed. Money remaining in the lottery would be dispersed to members over the next month.

45.3 The committee accepted the running action note.

46. The 2018/19 audit of NHS Lothian Delay to the Opening of the Royal Hospital For Sick Children and Young People

46.1 The Committee acknowledged the report as a summary of the Auditor General's understanding of the facts to date, drawing from the work of the external auditors and the reviews which the Scottish Government instructed. Mr Marriott highlighted that the report set out three key questions which the KPMG review was unable to answer, namely:

- Why the original environmental matrix was inconsistent with SHTM 03-01?
- Who changed the environmental matrix dated 26 November 2015?
- Why opportunities to spot the error were missed?

46.2 Mr Marriott also highlighted that the Section 22 report acknowledges that the Board has instructed an internal audit review, which aims to help answer the above questions. The Auditor General concluded her report by stating that she will monitor the progress of the various inquiries and may report again under Section 23 of the Public Finance and Accountability Act 2000. The Committee noted the report, and that the Auditor General and Mr Brown will be attending the Scottish Parliament's Public Audit and Post-Legislative Scrutiny Committee on 16 January.

47. Phase 1 Internal Audit Review RHYSC Arrangements

47.1 The Audit and Risk Committee received the draft interim report from the Chief Internal Auditor. Ms Brown summarised the key points from the report, action to date and work still to be completed.

47.2 The Audit and Risk Committee agreed that the Finance and Resource Committee would receive the same draft report and a note summarising the key points discussed at the 13th January 2020 meeting of the Audit and Risk Committee. At its meeting on 22nd January 2020 the Finance and Resources Committee will prepare a summary of key points raised. Comments would be collated and shared with the Chief Internal Auditor as part of formal feedback from both Committees.

47.3 The Chief Internal Auditor will continue to work on the Phase 1 report, which would cover the areas for further investigation identified and those set out in the draft interim report. The Chief Internal Auditor will present a final audit report, with management responses, to the Audit & Risk Committee of 24 February.

47.4 The Committee agreed that the report should provide context. The Committee agreed that the report could recognise when the project moved on from a capital-funded to NPD, the scope of the project expanded to include the Department of Clinical Neurosciences and how this affected the scale of the complexity of the project. The Chief Internal Auditor would take the opportunity to consider capital and NDP projects similar in nature taken forward in other Boards. Evidencing and

making comparison to projects that went well, highlighting who had responsibility for specification, sign off, ventilation etc.

- 47.5 The Committee agreed that the report should have a section on advisors. The Committee requested that the report be explicit around who the independent testers were, who appointed them, what scope they were given and what standards they tested against. Members agreed that the report should specifically clarify why NHS Lothian decided to engage with IOM.
- 47.6 The Committee agreed that the report should consider environmental Matrix. Members agreed that it would be helpful if the report clarified the connection between the environmental matrix and the room data sheets. Ms Brown advised that work to confirm who signed off the individual sheets for critical care and whether they had the authority to do so was in progress. It was noted that it would also be helpful if the report teased out whether there were Master Sheets produced and what changes were authorised post financial close in 2015.
- 47.7 The committee discussed the Scottish Future Trust and their role within the project. It would be helpful if the report explained the role of the Scottish Futures Trust and its responsibility to exercise due diligence on technical specifications. The report would explore their decision to engage WS Atkins and the extent that NHS Lothian could reasonably rely on the work of the Scottish Futures Trust and other advisors.
- 47.8 The committee agreed that it would be helpful if the report could explore the interpretation and application of standards, statutory regulations and guidance. It would be helpful if the report clarified the complications surrounding the numerous standards, statutory regulations and guidelines that were involved in such a project.
- 47.9 It was noted that the Parliamentary Committee would meet on Thursday 16th January 2020 to discuss the 2018/19 audit of NHS Lothian Delay to the Opening of the Royal Hospital For Sick Children and Young People report from the Auditor General. It was noted that at this time no formal request had been received to present evidence. The meeting would be streamed on parliamentary TV and could be viewed online by anyone who wishes to. Members acknowledged that NHS Lothian may be asked to provide evidence before the Internal Audit report was finalised. Mr Brown confirmed that he would keep the Auditor General apprised on the proposed timescales for the final internal audit report.
- 47.10 The committee recognised the need to maintain the governance role of the Board and the independence of the Board's Chief Internal Auditor. The Committee agreed that normal practice would be that the draft internal audit report is not shared externally. However the Committee agreed that if he deemed appropriate, the Board Chairman could share the Draft Internal Audit Report with Scottish Government.
- 47.11 Ms Brown would review the document and ensure that that the typographical error in the second bullet point on page 36 was amended.
- 47.12 Mr Crombie confirmed that the suitability of a phased move into the new facility was under scrutiny. Offers to move to the new site had been presented to Government, however in the interest of safety NHS Lothian agreed that it would not be appropriate to move patients to a new site when upgrading works had not finalised.

47.13 The Audit & Risk Committee recognised that the Draft Internal Audit Report produced by the Chief Internal Auditor carried out the agreed remit of the review. A final report would be brought forward for consideration to 24th February 2020 Audit and Risk Committee.

48. Any Other Competent Business

48.1 There were no other items of competent business.

49. Date of Next Meeting

49.1 The next meeting of the Audit and Risk Committee will take place at **9.00** on **Monday 24 February 2020** in **Meeting Room 8&9, Fifth Floor, Waverley Gate.**

Chair Signed 31/03/2020
Original held on file

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.00 am on Monday, 24 February 2020 in Meeting Room 8, Waverley Gate, 2-4 Waterloo Place, Edinburgh, EH1 3EG.

Present: Mr M Ash (Chair), Non-Executive Board Member; Mr B McQueen, Non-Executive Board Member; Mr P Murray, Non-Executive Board Member; Mr M Connor Non-Executive Board Member and Councillor John McGinty, Non-Executive Board Member.

In Attendance: Mr T Davison, Chief Executive (from 10am); Professor A McMahon, Executive Nurse Director; Ms J Brown, Chief Internal Auditor; Mr C Brown, Scott Moncrieff; Mr D Eardley, Scott Moncrieff; Mr C Marriott, Deputy Director of Finance; Mr J Old, Financial Controller (Item 61); Mr A Payne, Head of Corporate Governance; Mr M Hill, Non-Executive Board Member (Item 57); Ms S Gibbs, Quality & Safety Assurance Lead; Mr C Graham, Secretariat Manager (minutes) and Ms T Gray, PA to Head of Service – Infection Control (shadowing C Graham).

Apologies for absence: Dr R Williams, Non-Executive Board Member and Ms J. Campbell, Chief Officer, Acute Services.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

50. Minutes of the previous meeting held on 13 January 2020

50.1 The minutes of the meeting held on 13 January 2020 were accepted as an accurate record.

51. Running Action Note

51.1 The committee accepted the running action note:

- Internal Audit Progress Report for Edinburgh IJB - update would come to the April 2020 meeting. **JB**
- Audit Scotland: NHS in Scotland 2019 – This action would move over to the Interim Board Chair.
- Staff Lottery – Mr Marriott confirmed that the staff lottery had been wound up in December 2019, funds dispersed to staff and NHSL had self reported to the regulator with no actions coming back. It was accepted that the actions taken to mitigate risk had been appropriate and this action was now closed off.
- 4 hr emergency access standard – The Committee recognised that the context of this action had changed due to the recovery plan. The Committee agreed that an update on the escalation process would come to the April 2020 meeting. **JC**

52. Results from Committee Members Survey

- 52.1 Mr Payne updated the Committee on the feedback from the recent member survey and encouraged members to consider what the next steps should be.
- 52.2 The Chair stated that arrangements were in place for the upcoming Board membership changes, which included his own term coming to an end. There are also plans in place for the appropriate handover of the Audit and Risk Committee Chair.
- 52.3 The current progress made by the Committee was good but there was always room for improvement - areas that could be further developed, and scrutiny of the assurances given.
- 52.4 There was discussion on the Corporate Risk Register work; priorities for investment and financial planning. The Chair stated that he intended to have either a face-to-face or electronic discussion with members following the April 2020 meeting, to consider areas for development.
- 52.5 The Committee also discussed succession planning; gender balance on the Committee; engagement with more learning and e-learning exercises; and how appropriate feedback from internal audit investigations are shared across the organisation to allow lessons learnt to be applied more widely.

53. NHS Lothian Corporate Risk Register

- 53.1 Ms Gibbs introduced the report setting out NHS Lothian's Corporate Risk Register for assurance.
- 53.2 The Chair made the point that the Risk Register currently comes to the Committee as well as the Board and the Healthcare Governance Committee. This is currently being reviewed to assess the value of this repetition.
- 53.3 Ms Gibbs stated that there was nothing significant to draw to the Committee's attention. It was noted that the Recovery Plan level 3 had been added with the Board having agreed to reduce the risk grading to 12. The Committee also noted that the HSCPs were continuing to work through the unscheduled care programme board, and appropriate controls were in place to discharge the risk.
- 53.4 Ms Gibbs also reported that there would be a BREXIT risk paper going to Healthcare Governance Committee shortly, however this risk had not changed much. The impact levels were not changing at this stage.
- 53.5 There was discussion on the role of the Audit & Risk Committee with regard to risk management, and how it should use the Corporate Risk Register report. The Committee highlighted that it would be helpful if the report clearly stated what the Committee was being asked to do. The Committee concluded it would be helpful to understand how other committees oversee risk management.
- 53.6 The Committee also discussed external factors that needed to be included within any narrative as part of achieving risk reduction. It was felt that better narrative would also help any potential new Committee members to understand the role of the Committee and the report.

- 53.7 Mr Payne highlighted that the Committee's role was to get assurance on the effectiveness of the risk management system. At the moment there is very little movement of the risk scores, despite the efforts that are being made to manage risk. Mr Brown added that the Committee's role was to oversee the risk management process, rather than carry out the detailed oversight of individual risks. Mr Payne explained that the revised format of the corporate risk register identified measures which should be used to monitor the impact of risk management activities.
- 53.8 The Committee recognised that as the format of the Risk Register had been updated, there was a need for either another Board workshop to go through the risks, or for the chairs of committees to clarify their role in risk management.
- 53.9 The Committee agreed that it would be appropriate to ask the governance committees how they oversee risk, and what mitigation and assurance had taken place. This issue should be covered in the committee annual reports, and Mr Payne agreed to issue a message to that effect.
- AP**
- 53.10 The Chair added that he would be writing to the new Interim Chair and would include a point on the risk management along with reflections on the item. There was also a need to discuss this directly with governance committee chairs.
- 53.11 The Committee agreed to accept the Corporate Risk Register which had been updated for Quarter 3 and noted the new format template now included for the new risk - The delivery of NHS Level 3 Recovery Plans.
- 54. Internal Audit Progress Report - February 2020**
- 54.1 Ms Brown presented the paper providing a summary of internal audit activity since the November 2019 meeting and the ongoing progress in delivering the 2019/20 Internal Audit plan.
- 54.2 The Committee discussed progress in relation to internal audit work in the following areas:
- Edinburgh IJB – Directions Setting - report has been finalised alongside Financial Controls
 - Three reports at draft report stage – Midlothian IJB Workforce planning arrangements; Consort parking arrangements and Acute Prescribing.
 - Fieldwork ongoing in relation to the East Lothian IJB review, the Early Careers Framework and scoping and planning the remainder of the internal audit plan for this year.
- 54.3 The Committee highlighted that IJB directions are issued to the Board and the local authority, rather than to the HSCP. Ms Brown agreed to check that the language in the IJB directions report was appropriate. **JB**
- 54.4 The Committee also discussed the ambition of the Internal Audit plan for next year and asked if the size of the plan was realistic. Ms Brown stated that she was comfortable that there was an appropriate mix of audits with a balance between more strategic and operational areas.
- 54.5 The Committee noted the contents of this report.

55. Reports where all of the control objectives have significant assurance: Treasury Management

55.1 The Committee noted the report and passed on its thanks to the Treasury Management team.

56. NHS Lothian Internal Audit Review - Supporting Edinburgh Integration Joint Board - Directions Setting (December 2019)

56.1 Ms Brown outlined the finding of the internal audit review. The Committee noted that there were three areas of significant assurance, namely that:

- a policy is in place to define how Directions are set and what information should be included
- the policy ensures Directions will clearly align to the Strategic Plan and follow best practice
- a process is in place to ensure Directions are subsequently revised during the year in response to developments and there is a robust process in place to revoke/supersede previous versions

56.2 There was one area of moderate assurance:

- the policy ensures Directions set are achievable and are communicated with NHS Lothian and Edinburgh City Council, including setting expectations for their completion.

56.3 The Committee noted that the scope of the audit itself had been set by the Edinburgh IJB Chief Internal Auditor and that Ms Brown's team had delivered the scope as requested. Ms Brown explained that there had been a focus on design rather than operation and that the scope provided had been reported on.

56.4 There was discussion on the scopes for joint NHS/IJB audits; the commitment to work jointly with the IJBs; their plans and the synergy between Chief Internal Auditors.

56.5 There was also discussion on the timing of the report and whether it would have been useful for the IJB to consider the report first and to provide challenge.

56.6 Ms Brown made the point that given the number of debates taking place at a number of committees it may be helpful for the Chief Internal Auditors to consider all four IJBs plans for 20-21 and bring back an overall 2021 plan to the April or June Audit and Risk Committee.

JB

56.7 The Committee agreed that it was content with the report as it stood on the scope provided and the report was noted.

57. Private & Confidential: NHS Lothian Internal Audit - Investigation into RHCYP, DCN & CAMHS

57.1 Ms Brown introduced an update report on the progress and status of the internal audit report (phase 1) in respect of the RHCYP project. The paper gave an overview of the findings to date and the indicative timescales to conclude and issue the final report.

57.2 It was noted that the paper was being brought to the Committee to allow for any comments or suggestion that members would wish to pass on to the Board's Finance and Resources Committee. The Finance & Resources Committee will consider the same report on 26 February 2020. The Chief Internal Auditor intends to finalise the report by the end of March and present it to the Audit & Risk Committee on 27 April.

57.3 Ms Brown presented the update report which identified draft initial observations and recommendations to improve governance and internal control which NHS Lothian can take forward. She highlighted a number of issues which needed to be explored before the report is finalised, which may lead to the findings and recommendations being refined. The headings of the recommendations were:

- Strategic risk assessment
- Change control arrangements
- Working with Advisors
- The specific role and remit of the Finance and Resources Committee
- Project Governance
- Approvals - decision points and who was taking what decision when
- Clinical Engagement
- Procurement

57.4 The Audit & Risk Committee recognised that this was a helpful document. The Committee's discussion raised the following issues for the Finance & Resources Committee and the Chief Internal Auditor to consider:

- It would be helpful if the report clearly explains which individual or group has the authority to agree that the work has been completed to the required standard, before it can move on to the next stage.
- How do the above decision-makers get assurance from advisers and any gateway reviews before agreeing to move on to the next stage?
- What, if any, authority was given to advisers to act on behalf of the Board and its management? Did the authority to make a final decision always remain with an individual or group within NHS Lothian?
- What is the significance of the stage of 'financial close', and what does it practically mean in terms of obligations for the contractor? What should happen before the Board agrees to 'financial close'?
- There needs to a reflection on the role of a governance committee (such as the Finance & Resources Committee), and the level of detail it can reasonably be expected to consider. The answers to the above questions may highlight where within the project management system any detailed issues should be identified and addressed.
- To what extent was the project's established change control process consistently applied? Where the change control process was not applied, what were the reasons for this? What action can be taken to ensure that the change control processes always operate regardless of the circumstances?

- Who decided to issue the environmental matrix to the contractor?
- What were the reasons for issuing the environmental matrix?
- Where within the system of governance and control was there a check or checks which should have detected an error with the environmental matrix?
- What steps can we take to ensure that the process for the next formal change within this project takes into account the lessons learned from the findings to date?
- What practical steps can be taken to ensure that everyone who has a role in a capital project (such as clinicians) have the necessary knowledge, skills & experience to effectively discharge that role?
- As a general point, the management response needs to state what action is going to be taken to address all the issues which the final report may raise.

57.5 The Committee agreed that it would be appropriate for the Finance and Resources Committee to consider the update report and its recommendations, together with the observations from the Audit & Risk Committee, and then provide feedback to Ms Brown. As the audit is still a work in progress, the Committee also agreed that it would be appropriate for the Chair of the Finance & Resources Committee to provide an update to the Board when it is in private session.

57.6 The external auditors confirmed that they would liaise with Ms Brown, to inform their work and the follow-up to the Auditor General's Section 22 report.

57.7 The Committee noted that the timescale would likely be the end of March 2020 to allow enough time for completion of all fact checking. Parts of the report would be shared with individual parties for fact checking.

57.8 It was noted that an extra Audit and Risk Committee may be required at the end of March 2020 to allow a timeline for the final report to go to the 8 April 2020 Board meeting.

58. Draft 2020/2021 Internal Audit Plan

58.1 Ms Brown introduced the draft 2020/2021 Internal Audit Plan. It was noted that this was the initial first draft and the purpose of the update was to provide Committee members with an update on Internal Audit planning and the next steps to allow the plan to come to the 27 April 2020 Audit and Risk Committee meeting for fuller discussion and approval.

58.2 The initial draft plan was based on an update of the 3-year strategic internal audit plan, a consideration of previous internal audit review areas and areas which had been identified as higher risk, and a review against the latest strategic risk register.

58.3 The Committee discussed the initial first draft and whether there was any area of risk and/or themes they would like to be considered for the internal audit plan. It was noted that an updated plan would then go to the Corporate Management Team for review and consideration. Ms Brown pointed out that the Plan would also consider the balance of strategic vs operational focus, core assurance alongside any planned internal audit advisory work and the phasing of planned reviews alongside internal audit review sponsors.

58.4 The following points were noted:

- The Proposed Internal Audit Sponsor column should always show the Responsible Director's name.
- It was agreed to move the Governance (Assurance mapping and Blueprint for Corporate Governance) internal audit out of Quarter 1, given that the team concentrated on year-end processes at that time, and the audit was not time sensitive.
- Mr Payne highlighted that the Board had recently approved 'Our Priorities for Continuous Improvement'. Ms Brown agreed to consider this as part of the process of developing the internal audit plan.
- Mr Payne highlighted that the Internal Audit Charter needed to be reviewed, in light of the national work that he was currently undertaking to develop a model terms of reference for audit committees. He also highlighted that the revised Standing Orders for the Board reserves the appointment of the Chief Internal Auditor to the Board. Ms Brown agreed to work with him on that.

JB/AP

58.5 There was discussion on the review area of delayed discharges and working with council counterparts; financial sustainability; timing and scope around Recovery Plan work; Strategic higher areas of risk; how to avoid duplication of effort; the best use of the internal audit resource; environmental management and sustainability; pension tax implications for hospitals and general practice.

58.6 The Committee noted that the draft 2020/2021 Internal Audit Plan would go to the Corporate Management Team and the final Internal Audit Plan would come back to the 27 April 2020 Audit and Risk Committee.

JB

59. Follow-Up of Management Actions Report (February 2020)

59.1 Ms Brown introduced the summary of the progress made by management in closing agreed management actions arising from Internal Audit reports since the last meeting in November 2019. It was noted that there were no concerns around the implementation of management actions.

59.2 There was discussion around consultant job planning audit actions, relationship to TTG and performance outcomes. Ms Brown confirmed these areas would be picked up by Miss Tracey Gillies when the update paper on consultant job planning comes to the Committee.

JB/TG

59.3 The Committee also discussed the Patient Funds – Adults with Incapacity actions where no update had been provided. Ms Brown stated that there was an escalation process being followed to follow up on these actions. It was noted that outdated information available on the intranet had now been removed and the policy had been put under review.

59.4 The Committee noted the contents of the report.

60. External Audit Plan

- 60.1 Mr Brown and Mr Eardley introduced the document summarising the work plan for the 2019/20 Scott-Moncrieff external audit of NHS Lothian.
- 60.2 There was discussion on the work plan and areas such as executive remuneration, key audit risks, capital transactions, performance indicators, financial sustainability and targets, RHCYP/DCN/CAMHS audit risk and dual reporting arrangements with Audit Scotland.
- 60.3 There was further discussion on performance metrics and the context that these should be looked at against. For example, the agreed AOP with the Scottish Government which was based on resources available, level of financial resource in the system and the NHS Lothian NRAC position.
- 60.4 The Chair stated that this was a well set out, comprehensive and helpful report. However there was an element of implied conclusions and it would be up to the Committee and full board to lay out all relevant factors when the final report is received in June 2020.
- 60.5 The Committee accepted the plan as laid out and noted that the final Audit Report would come back to the June Audit and Risk Committee.

CB/DE

61. Counter Fraud Activity

- 61.1 Mr Old presented the report updating the Committee on counter fraud related activities since the Committee's last meeting, and providing assurance that all suspected frauds are accounted for and appropriate action is taken.
- 61.2 There was discussion around ongoing preventative work; internal controls; detection and cases that go to court. It was suggested that the Committee would find it helpful if a date that cases are referred to the Crown Office could be added to the Appendix 1 table, so that any pattern of delays could be picked up. Mr Old would take this forward.
- 61.3 The Committee accepted this report as a briefing on the current status of counter fraud activity and agreed to take a significant level of assurance that all cases of suspected fraud are accounted for and appropriate action is taken.

JO

62. Review of the NHS Lothian Standing Orders

- 62.1 Mr Payne introduced the report providing the Committee an opportunity to review the proposed revised Standing Orders.
- 62.2 The Committee reviewed the proposed revised Standing Orders for NHS Lothian, which fully adopt the text in the model Standing Orders. The Committee accepted significant assurance that the development of the model Standing Orders was a comprehensive exercise, and the model is up-to-date with legal and technical requirements. The Committee agreed to recommend the Standing Orders to the Board for approval.

AP

63. South East Payroll consortium business case

63.1 Mr Marriott informed the Committee that NHS Lothian had not been selected as the leadership board for the consortium. The Committee noted that this work would be led by NHS NSS.

64. Any Other Competent Business

64.1 There were no other items of competent business.

65. Date of Next Meeting

65.1 The next meeting of the Audit and Risk Committee will take place at **9.00** on **Monday 27 April 2020** in **Meeting Room 8&9, Fifth Floor, Waverley Gate.**

66. Future Meetings

22 June 2020
24 August 2020
23 November 2020

Chair Signed 22/05/2020.

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 2.00 p.m. on Monday, 21 May 2020 via MS Teams.

Present: Mr M Ash (Chair), Non-Executive Board Member; Mr M Connor Non-Executive Board Member; Ms K Kasper, Non-Executive Board Member; Mr B McQueen, Non-Executive Board Member; Mr P Murray, Non-Executive Board Member; Councillor John McGinty, Non-Executive Board Member and Dr R Williams, Non-Executive Board Member.

In Attendance: Mr T Davison, Chief Executive; Ms J Brown, Chief Internal Auditor; Mr C Brown, Scott Moncrieff; Mr C Marriott, Deputy Director of Finance; Ms S Goldsmith, Director of Finance; Mr A Payne, Head of Corporate Governance; Ms S Gibbs, Quality & Safety Assurance Lead; Ms L Baird, Committee Administrator (minutes).

There were no apologies for absence.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

1. Minutes of the previous meeting held on 24 February 2020

1.1 The minutes of the meeting held on 24 February 2020 were accepted as an accurate record.

2. Running Action Note

2.1 The committee noted the actions marked complete. Those marked ongoing would be updated in advance of the June Audit and Risk Committee.

3. Internal Audit

3.1 Internal Audit Progress Report - May 2020 - Ms Brown presented the paper providing a summary of internal audit activity since the February 2020 meeting and the ongoing progress in delivering the 2019/20 Internal Audit plan.

3.1.1 It was noted that 3 internal audit reviews had been delayed due to the potential impact of the audits on clinical teams. Ms Brown would consider whether the audits would be brought forward into the 2020/21 and if they remained in line with the priorities of the Board. JBr

3.1.2 It was recognised that due to Covid-19 services had been paused and as a consequence there would be a large impact on those patients waiting over 12 weeks. Prior to Covid-19 65,000 outpatients were waiting over 12 weeks for treatment in Lothian. Following the suspension of routine service in Lothian the number of outpatients waiting over 12 weeks for treatment in Lothian had increased to 120,000. Members agreed that the context of the audit on waiting times would need to take into account Covid-19. Ms Brown would liaise with Miss Gillies and Ms Campbell to reflect on the changes to waiting times and bring forward a proposal to the Audit and Risk Committee in August 2020. JBr

- 3.1.3 The committee discussed whether the delay to the Royal Hospital for Children and Young People internal audit would impact the internal audit opinion that supports the annual accounts. Ms Brown advised that the Internal Audit on the Royal Hospital for Children and Young People had been commissioned independent of the internal audit 2019/20 plan. She would take a view on the position of the audit at the time of providing her opinion to the Audit and Risk Committee in June 2020.
- 3.1.4 The Committee discussed the current hybrid model employed by NHS Lothian for the provision of the internal audit team. There were plans to move to a regional model that would see the provision of internal audit services across NHS Lothian and NHS Borders. Due to Covid-19 this had been put on hold and the current contact with Grant Thornton had been extended for another six months.
- 3.1.5 Mr Davison advised that the Board had no intention of switching to a full in house model for the provision of internal audit services. The current hybrid model would be retained at this time. Mr Marriott agreed to circulate the rationale for this outlined in the strategy document to the Committee. Members were invited to pitch ideas to Mr Ash and Mr Connor if they thought the model needed to be refreshed. **CM/ALL**
- 3.1.6 The Committee accepted the internal audit progress report – May 2020.
- 3.2 Update paper on the timeline for the completed RHCYP Internal Audit review of governance and internal control – the Committee received the update on the internal audit report on the review of the internal controls and governance in respect of the Royal Hospital for Children and Young People (RHCYP). The review focused on determining why the ventilation issue arose within critical care and what steps NHS Lothian took to enhance controls and governance. The internal audit report would support NHS Lothian's submission to the public inquiry.
- 3.2.1 Members recognised that once in the public domain the report would be open to scrutiny and many would only read the highlights within the executive summary. It was important that key messages and findings were brought to their attention within the summary. It was noted that if management felt that areas had been missed or required clarification these could be picked up within their management response. It was also important that where issues and faults had been identified it was clear what action had been taken to address them.
- 3.2.2 Ms Brown reflected on Mr McQueen's comments and agreed that if the report specifically identified an individual to be at fault, they should be given the opportunity to respond to comments made within the report. She noted that adding this step to the process could potentially push back the date for publication and would require further thought.
- 3.2.3 Mr Brown would continue to work on the internal audit report with key stakeholders and co-sponsors with a view to bring the final report back to 22nd June 2020 Audit and Risk Committee meeting. **JBr**
- 3.3 Internal Audit Report - East Lothian Integration Joint Board (IJB): Strategic Change Priorities and Delivery at HSCP Level – Ms Brown spoke to the previously circulated report. She concluded that since the introduction of the

Change Boards in 2018, the Governance Framework operated reasonably and effectively with projects introduced that contribute to the delivery of the East Lothian IJB strategic priorities. However some improvement opportunities have been identified and recommendations made to enhance the governance arrangements already in place.

3.3.1 There was agreement that the paper would be of interest to other integration joint boards. Mr Payne would draw the report to the attention of the Chief Officers noting that the Audit and Risk Committee thought that reviewing the report would be valuable to all IJBs.

AP

3.3.2 The committee accepted the report.

3.4 Internal Audit Review: Board Governance Arrangements during COVID 19 – Ms Brown spoke to the previously circulated report. Following the internal audit review of the revised governance arrangements in response to COVID-19, it can be concluded that the arrangements were reasonable and appropriate for the circumstances NHS Lothian was currently facing. Ms Brown concluded that the revised arrangements were in line with relevant legislation and Scottish Government principles.

3.4.1 The committee accepted the report.

4. Corporate Governance

4.1 2019/20 Risk Management Annual Report – Ms Gibbs spoke to the previously circulated report. Key areas of focus related to the compliance of the Health Improvement Scotland review and the Board's compliance to the adverse event management framework. NHS Lothian was currently complying with 13 of the required 15 elements. Work was ongoing in respect of a consistent approach to seeking patient and family feedback and evidencing the sharing of final significant adverse event reports with staff.

4.1.1 The committee discussed the process for notification to Health Improvement Scotland (HIS) of all level 1 reviews for category 1 adverse events. It was noted that given the significant demands on the service due to Covid-19 from March, HIS have suspended the national notification requirement. During this time it was essential that local governance around reporting, managing and communicating about adverse events is maintained to ensure patient and staff safety.

4.1.2 NHS Lothian published an annual report covering the first year of implementation of statutory organisational Duty of Candour for the period 1 April 2018 – 31 March 2019. To date no feedback has been received on the report. It was noted that preparatory work for the 2019/2020 report had commenced.

4.1.3 Ms Kasper questioned what evidence had been presented to the Audit and Risk Committee over the year to support the recommendation of moderate assurance with respect to systems in place to manage risk across NHS Lothian beyond the standing corporate risk register paper. If the committee only received assurance through the standing paper presented each month how did the board assure itself on risk that fell out with its remit. Ms Gibbs and Mr Payne took an action to bring forward a paper on risk detailing how the organisation looks at risk across the Board, the processes and methodology in place, and whether this provided appropriate assurance to the Board. Ms Kasper, Mr McQueen and Dr Williams

agreed to feed all relevant concerns and points to Mr Payne and Ms Gibbs out with the meeting. **AP/SG/KK/BM/RW**

4.1.4 The Audit & Risk Committee accepted the recommendations in the report, and that it was a source or assurance to inform the NHS Lothian Governance Statement.

4.2 Accounting Policies – Ms Goldsmith spoke to the previously circulated report, drawing the Committee's. She noted that there were no changes to the accounting policies this year.

4.2.1 The Audit & Risk Committee approved the accounting policies and confirmed that they were appropriate for the Board at the present time for the purpose of giving a true and fair view

5. Any Other Competence Business

5.1 Date and Time of Next Meeting – The Group discussed the timing of the meeting proposed for 22 June 2020. It was agreed that the meeting would start at 9.30 a.m. 30 minutes later than the previously advertised time.

6. Reflection on Meeting

6.1 The Members of the committee reflected on the meeting.

7 Date of Next Meeting

7.1 The next meeting of the Audit and Risk Committee will take place at **9.30** on **Monday 22 June 2020** via MS Teams.

8. Future Meetings

24 August 2020

23 November 2020

Chair Signed 22/06/2020

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9.30 am on Monday, 22 June 2020 via MS Teams.

Present:

Mr M. Ash (Chair), Non-Executive, Board Member; Ms K. Kasper, Non-Executive Board Member; Mr B. McQueen, Non-Executive Board Member; Mr P. Murray, Non-Executive Board Member; Councillor J McGinty, Non-Executive Board Member, and Mr M. Connor, Non-Executive Board Member.

In Attendance:

Ms J. Brown, Chief Internal Auditor; Mr C. Brown, Scott Moncrieff; Mr C. Campbell, Interim Chief Executive; Mr J. Crombie, Deputy Chief Executive; Mr G. Curley, Director of Estates; Mr T. Davison, Chief Executive; Mr D. Eardley, Scott Moncrieff; Ms S. Gibbs (Deputising for Ms J Bennett); Ms S. Goldsmith, Director of Finance; Ms D. Howard, Head of Financial Services; Ms P. Irving, Head of Finance; Mr C. Marriott, Deputy Director of Finance; Ms O. Notman, Assistant Finance Manager; Mr J. Old, Financial Controller; Mr A. Payne, Head of Corporate Governance; and Miss L. Baird, Committee Administrator.

Apologies:

None

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

9. Minutes of the previous meeting held on 21 May 2020

9.1 The minutes of the meeting held on 21 May 2020 were accepted as an accurate record and approved.

10. Running Action Note

10.1 The committee noted the actions marked complete and those that were not due for consideration detailed within the report. Mr Murray commented that the action relating to the lines of communication between the audit & risk committee and the integration joint board should be brought forward.

10.2 Internal Audit Team Contract – The committee discussed the provision of the internal audit team, recognising the benefits associated with the mixed model employed in NHS Lothian. Mr Murray proposed investigating the structure of services utilised within other Boards to inform future discussions around the contract. Mr Connor and Mr Marriott would oversee discussions around the provision of the internal audit team contract going forward. **MC/CM**

10.3 The committee accepted the running action note.

11. Corporate Risk Register

- 11.1 Ms Gibbs spoke to the previously circulated report. She highlighted the addition of a new risk associated with Covid-19 and removal of the Brexit risk, as agreed by the Board in April.
- 11.2 Ms Gibbs, working with Ms Kasper, would bring back a fuller report on risk across the organisation to the August Audit and Risk Committee meeting. The proposal brought forward would outline the strategy to be recommended to the Board in November 2020. SGi
- 11.3 The committee discussed the impact of Brexit. Members recognised that the United Kingdom had left the European Union, however there would be consequences that would impact the organisation going forward. Members agreed it was important that the Board remained aware of risk emerging from Brexit. .
- 11.4 The committee accepted the report.

12. Internal Audit (Assurance)

- 12.1 Update on the RHCYP Internal Audit review of governance and internal control-
The Committee received an update on progress of the RHCYP internal audit.
- 12.1.1 Ms Brown advised that since the Audit and Risk Committee in May, initial comments had been received from the independent tester and updated where relevant. Comments had been received from Mott MacDonald and further discussions were required with the NHS Lothian Project Director and the Director of Planning. In light of additional information received the recommendations within the internal audit report were being reviewed. Work to finalise the report was ongoing.
- 12.1.2 Ms Brown assured the committee that the report would be submitted to the Audit and Risk Committee for consideration in advance of formal submission to Scottish Government.
- 12.1.3 It was noted that formal feedback from third parties had related to interpretation rather than material changes or disputed facts. Ms Brown was confident that the final internal audit report would be supported by the evidence collated.
- 12.1.4 Ms Brown anticipated that the finalised report would be shared with NHS Lothian management for their response in light of the third party comments and subsequent adjustments made by 3rd July 2020. Mr Ash, Mr Connor, Mr Marriott and Ms Brown would review the progress of the report in the next 10 days identify a timeline for the finalised report. **MA/MC/CM/JB**
- 12.1.5 The Committee accepted the report.
- 12.2 Internal audit reports with significant assurance for all control objectives – The committee accepted the report with significant assurance for all control objectives for Early Careers and Apprenticeships (June 2020) and Acute Prescribing (June 2020).
- 12.2.1 The Committee discussed expanding the current early careers programme to maximise intake of applicants to the scheme. The recruitment of carer workers within the health and social care partnerships has historically been an issue due

to low levels of unemployment. As part of the consideration of the programme for early careers the Board would look to work with the partnerships to promote careers within the partnership. Mr McQueen agreed to keep discussion around early careers on the Staff Governance Committee agenda.

12.3 Internal Audit Final Report - Consort Parking Review (June 2020) – The committee noted the previously circulated report. The report found that there was limited assurance that all costs associated with the operation of the car parking facilities at the Royal Infirmary of Edinburgh were accurate, reasonable and in line with the contractual agreement between Consort Healthcare and NHS Lothian.

12.3.1 It was noted that from the sample considered there were errors identified for the period covering 2015 to 2019 totalling £143,107 resulting in an understatement of the NHS Lothian revenue share of £71, 533. Ms Brown noted that this may not be the full extent of the potential understatement as it only reflected errors identified from the sample tested.

12.3.2 There was a requirement for more robust governance of the financial aspects of the contract between NHS Lothian and Consort due to the volume of inconsistent entries within the profit and loss statements since 2012. From the sample of minutes from the Performance Review Committee throughout 2017 and 2018 tested, it was noted that the committee was imbalanced with a large focus on performance but little on the financial aspect of car parking operations.

12.3.3 Members welcomed the proactive approach taken by line management in employing the Internal Audit team to investigate their concerns around contract with Consort in respect of parking.

12.3.4 The Committee discussed the commercial approach taken by consort in the running of the car park at the Royal Infirmary site. Ms Goldsmith acknowledged that cost of parking had remained steady over the years and the funds received by NHS Lothian were to offset the cost of having car parking at the site.

12.3.5 The action taken to establish a shadow team to oversee the contract managements was welcomed by the committee. The shadow team would have the financial, legal and technical skills required to oversee the work. The Corporate Management Team is going to review the management of public private partnership contracts. Mr Ash asked for a report to be provided to the August Audit & Risk Committee meeting to provide assurance that action is being taken on the internal audit recommendations.

SG

12.3.6 The committee accepted the report.

12.4 Internal Audit Annual Report 2019/20 (June 2020) and Internal Audit Opinion – Ms Brown drew attention to the audit opinion detailed within the report. Noting that during the course of the review the Internal Audit Team concluded that overall, Internal Audit's work indicated that NHS Lothian has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of the organisation's objectives and the management of key risks.

12.4.1 The committee accepted the Internal Audit Annual Report 2019/20 and the internal audit opinion.

- 12.5 Internal Audit Planning 2020/21 – Ms Brown spoke to the previously circulated report. She noted that the internal audit plan for 2020/21 would be a fluid process going forward in preparation for a potential second wave of covid-19 and impact on services. Following review of the early plan shared with the Audit and Risk Committee in February 2020 (pre-Covid), the plan areas of focus for internal audit between July 2020 and September 2020. Approval of these areas would allow the internal audit activity to be continued, and ensure internal audit were focused on providing assurance, aligned to risk. The Committee agreed to support focussing on key internal controls (including IT controls), and Recovery plans. .
- 12.5.1 Ms Brown would take the plan to the Corporate Management Team to ensure that the areas identified were appropriate and aligned to the correct areas and identify suitable scopes to underpin the audits.
- 12.5.2 Mr Murray drew attention to the proposed audits for mental health and the health and social care partnerships. He requested that Ms Brown consider the perspective of the health and social care partnerships within the scope of the audits, recognising the importance of the partnerships contribution to delivering delegated services.
- 12.5.4 Members agreed the internal audit plan for 2020/21, subject to the plan being reviewed throughout the year as and when required.

13. Counter Fraud

- 13.1 Counter Fraud Activity for the year to 31 March 2020 – Mr Old spoke to the previously circulated Counter Fraud Activity report for the period to 31 March 2020. He drew the committee's attention to the delays to the impact assessment due to covid-19, work to develop an e-learning module with NHS Education Scotland and the promotion of CFS work across the organisation as a whole.
- 13.1.1 The Committee reflected on the cases in the report, and agreed that it needed assurance that lessons from these cases are learned and that the Board's systems of control are strengthened by that learning. Ms Goldsmith would follow the committee's concerns up with management and provide assurance at the August Audit and Risk Committee.
- 13.1.3 The Committee accepted the report.

SG

14. Corporate Governance

- 14.1 National Services Audit Reports – the committee accept these reports from the service auditor as a source of significant assurance that there were adequate and effective systems of internal control relating to the National Single Instance financial ledger, and a source of moderate assurance with respect to Practitioner and Counter Fraud Services and National IT Services.
- 14.2 SFR 18.0 – summary of losses and payments for the year ended 31 March 2020 – Ms Howard introduced the previously circulated paper. She drew the committees attention to the summary of claims abandoned , highlighting that the claims had reduced following the implementation of new guidance. Under new rules there would be no invoice issued to overseas patients if an agreement to pay had not been reached in advance of receiving treatment.

- 14.2.1 Members welcomed the decrease of debt relating to English, Welsh and Irish NHS Bodies. They noted that debt has decreased significantly from £716k in 2018/19 to £267k. The previously reported ongoing dispute which resulted in NHS Lothian taking NHS England to court accounts for the majority of the reduction. There was still a small amount, £12k with debt collection agencies with the remaining balance being actively pursued by the team.
- 14.2.2 The Committee discussed an outstanding debt relating to the Scottish Orthopaedic Research Trust into Orthopaedic Trauma. Ms Goldsmith confirmed that action was being taken to resolve this. .
- 14.2.3 The Committee accepted the report as a source of significant assurance that the Board has adequate and effective systems of control relating to losses and special payments, and that management are continually reviewing and evaluating changes to improve those systems.
- 14.3 Edinburgh & Lothian's Health Foundation Annual Report and Accounts 2019/20 - The committee noted that there had been a review of the charitable funds and that they were found to be a clean set of accounts, and there had been no issues raised.
- 14.3.1 The Committee accepted this report as a source of significant assurance that management have prepared the Annual Report and Financial Statements of the Foundation for 2017/18, Scott-Moncrieff had carried out an external audit of the accounts, and had provided an unqualified audit opinion.

SG

15. Annual Accounts (decision)

15.1 Governance Statement

- 15.1.1 The Committee accepted this report as a source of significant assurance that the process to develop the Governance Statement was consistent with the associated instructions and good practice.
- 15.1.2 The Committee reviewed the Governance Statement, did not identify any further required disclosures, and agreed it should be included in the annual accounts.

15.2. Management Representation Letter

- 15.2.1 The Committee reviewed the draft Representation Letter to the external auditors confirmed that the statements represented confirmation to the external auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2020, and agreed to recommend that the letter be signed by the Chief Executive of NHS Lothian.

15.3 NHS Lothian Draft Audit Management Report for the year ended 31 March 2020

- 15.3.1 Mr Brown gave an overview of the report highlighting how the report was collated, key findings and the audit certificate. They noted that they were submitting a draft management report following the impact of Covid-19 on the process. He advised the committee that the audit of the annual accounts had been separated from the wider scope of the audit to ensure the sign off of the annual accounts by the June 2020 deadline.

- 15.3.2 Mr Brown drew the committee's to the emphasis of matter in the independent auditor's report to note 1 accounting policies 30' key sources of judgement and estimation uncertainty' of the financial statements. He noted that this section described the effects of a material uncertainty, caused by COVID-19, on the property valuation report. He advised that the statement would not modify the unqualified opinion.
- 15.3.3 Mr Eardley advised that outstanding evidence and been received and the wider audit of NHS Lothian's process would move to final stages in due course. Work to cross reference and double check following transposing the excel accounts to word would commence shortly.
- 15.3.4 Mr Brown confirmed that the annual report process would reflect on the section 22 notice.
- 15.3.5 The Committee accepted the report as a source of assurance to inform its review of the annual accounts.

15.4 NHS Lothian Annual Accounts for Year End 31 March 2020

- 15.4.1 The Committee agreed to recommend to the Board that they adopt the Annual Accounts for the year ended 31st March 2020 and recommend to the Board to authorise the designated signatories to sign the Accounts on behalf of the Board.

15.5 Audit Committee Annual Report and Assurance Statement 2019/20

- 15.5.1 The Committee approved the annual report and assurance statement 2019/20.

16. Any Other Competent Business

- 16.1 Chair of Audit and Risk Committee – It was noted that Mr Connor would be take on the role of Chair of the Audit and Risk Committee from August 2020. Members thanked Mr Ash for his contributions as Chair of the Audit and Risk Committee over the years. Mr Ash expressed his thanks to members for their work and support in running the committee during his term as Chair of the Audit and Risk Committee. He wished Mr Connor well in his new role as Chair of the Audit and Risk Committee.

17. Date of Next Meeting

- 17.1 Ms Goldsmith would liaise with Mr Marriott, Mr Connor and Ms Brown to consider whether there would be an additional meeting of the Audit and Risk Committee in July 2020 to discuss the final Internal Audit report on the Royal Hospital of Children, Young People and the Department of Clinical Neurosciences.

- 17.2 The date of the next meeting would be confirmed in due course.

Chair Signed 31/07/2020

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 10:00 am on Friday, 31 July 2020 via MS Teams.

Present:

Mr M. Ash (Chair), Non-Executive, Board Member; Ms K. Kasper, Non-Executive Board Member; Mr B. McQueen, Non-Executive Board Member; Mr P. Murray, Non-Executive Board Member; and Mr M. Connor, Non-Executive Board Member.

In Attendance:

Ms J. Brown, Chief Internal Auditor; Mr C. Campbell, Chief Executive; Mr J. Crombie, Deputy Chief Executive; Ms S. Goldsmith, Director of Finance; Mr M. Hill, Non-Executive Board Member; Mr A. Payne, Head of Corporate Governance; Ms E. Robertson, Interim Chair and Miss L. Baird, Committee Administrator.

Apologies:

Councillor J McGinty, Non-Executive Board Member.

The Chair reminded Members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. Mr McQueen declared an interest as a member of the Finance and Resource Committee that approved the signing of the settlement agreement in February 2019.

18. Minutes of the previous meeting held on 22 June 2020

18.1 The minutes of the meeting held on 22 June 2020 were accepted as an accurate record and approved.

19. Governance and internal controls: Royal Hospital for Children and Young People, and Department of Clinical Neurosciences, Edinburgh

19.1 Ms Brown introduced the previously circulated report. She noted that it was not possible to identify one single cause of failure which resulted in the errors as there were several contributing events. Overall all parties involved had missed opportunities to pick up errors.

19.2 Ms Brown advised that the report had been fact-checked with several parties. Members noted that Scottish Futures Trust ('SFT') and MacRoberts had proposed amendments that would not change the conclusion or the substance of the report. Ms Brown would look at these and amend the report in advance of the Board meeting.

JBr

19.3 There were discussions on the role of Davis Langdon and the transfer of liability when they ceased to exist. Ms Brown advised that Davis Langdon had been subcontracted by Mott MacDonald. NHS Lothian held the contract with Mott MacDonald, therefore when Davis Langdon ceased to exist that work and liability reverted to Mott MacDonald as the main appointed technical advisors.

- 19.4 It was recognised that there were two influential points relating to the speed of decision that were to the detriment of the project. The first related to the switch from a traditional capital funded project to an Non-Profit Distribution ('NPD') project, and adding the Department of Clinical Neurosciences to the scope of the project, which did de-stabilise the arrangements. The second related to the desire to limit the impact of this change on the overall project/ procurement timeline, and the desire for parties not to be held back. This in turn led to the initial contract being signed while there was still a significant amount of reviewable design data ('RDD') that was not agreed at the time of signing. The committee agreed that lessons should be learnt regarding the speed of decisions taken and their impact on the outcome of the project. The Committee noted that the significance of the issue of ventilation did not appear as a key issue in the early stages of the project.
- 19.5 Ms Brown highlighted that under the contract, NHS Lothian was responsible for 'operational functionality', which is a spatial issue, and nothing to do with mechanical and engineering issues. It is the role of technical advisors to undertake the line-by-line review, and to advise the NHS Lothian project team. At the point of signing the contract a significant amount of reviewable design data was not agreed between NHS Lothian and Project Co. This position was captured in the contract. Internal audit understand it is not unusual to have a degree of RDD not agreed at this point in the contract discussions, but this did appear to be significant. Whilst this was discussed at the Project Board, SFT did not identify a concern in their key stage report, and a desire was referenced by both SFT and Project Co to move to financial close.
- 19.6 Mr Hill commented on lessons learnt from previous NHS 24 projects that had run into contractual errors. Lessons had identified that there was a clear expectation to appoint a single person to oversee the whole contract. He noted that it in this case the complexity of scope and scale meant that no one could be expected to review all points and identify errors. Members agreed that the appointment of a single person to oversee future projects would mitigate risk of similar errors occurring in future Lothian and public projects. An individual acting on behalf of the procuring organisation should be responsible for ensuring that any technical or legal requirements are competently translated into the specifications for every room. It is essential to have assurance that any identified requirements can actually be delivered by the contractors.
- 19.7 Mr Hill highlighted that there is a requirement for capital projects in England to have a doctor who had been trained in project development as part of the team. Members agreed a clinician with the relevant expertise to support projects in this way would be invaluable. The Committee agreed to recommend that going forward there is a suitably qualified clinician as part of every project team. Ms Brown agreed to amend the report to include this as part of the recommendations within the report.
- 19.8 The Committee noted that there a number of issues related to confusion around the roles and responsibilities of the key stakeholders. Members supported the implementation of a single overarching role in all projects, but highlighted that this alone may not address all of the issues identified within the report. The Chair agreed to flag to the Board the importance of oversight of all aspects of future NHS Lothian and other public projects.

JBr

MA

- 19.9 The Committee discussed the appointment of the technical advisors and the independent tester, and their critical role in the project. It was acknowledged that that the independent tester had been appointed through a joint process with NHS Lothian and Project Co. The Committee noted that the independent tester appeared to be testing against what had been agreed between the parties, rather than testing against the relevant technical guidelines and requirements. The Committee agreed that the role of the independent tester should be to test against the technical requirements. Mott Macdonald was appointed to the project in 2011 through a recognised public sector procurement framework contract. There were a number of technical advisors involved in projects, Mott Macdonald being one of the main companies who advise public bodies on similar projects.
- 19.10 Members questioned to what degree the request for the 4-bedded rooms had impacted on the outcome of the project. The discussion highlighted that request for 4-bedded rooms was not unreasonable; the issue arose in translating that request in a manner which would meet the technical requirements and translating it into the specification of the building. The relevant technical memorandum does not recognise a 4-bedded room as a model room. Therefore it was the process that was broken rather than the request being unreasonable.
- 19.11 Ms Brown advised the Committee that some key decisions were made very early on in the project, but there appears to have been limited review or challenge to those earlier decisions.
- 19.12 Ms Goldsmith advised the Committee that the 'overall management commentary' would be slightly adjusted and this would be reflected in the version which goes to the Board.
- 19.13 The Committee accepted the report. The chair and Members expressed their gratitude to Ms Brown and her team for the exemplary work and the time involved in the completion of the internal audit report.
- 19.14 Subject to the small changes being made by Ms Brown, the Committee agreed to recommend that the report goes forward to the Board. The Chair of the Audit and Risk Committee will provide a short report to the August Board meeting. The Chair request that Ms Brown flag the changes made to the members of the Audit and Risk Committee.

JBr

20. Any Other Competent Business

- 20.1 Audit and Risk Chair – The Chair noted that he was stepping down as Chair of the Audit and Risk Committee. He thanked the team for their support and hard work during his terms as Chair, noting that Mr Connor would take up the role of Audit and Risk Committee from 24 August 2020.
- 20.2 Ms Robertson expressed thanks on behalf of the Board to Mr Ash for his hard work and dedication over the years and wished him well for the future.

21. Date of Next Meeting

- 21.1 The next meeting of the Audit and Risk Committee is scheduled for Monday, 24 August 2020 at 9.30 a.m. via MS Teams.

Signed by the Chair: 24 August 2020

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9:30 am on Monday, 24th August 2020 via MS Teams.

Present:

Mr M. Connor, (Chair) Non-Executive Board Member. Ms K. Kasper, Non-Executive Board Member; Mr B. McQueen, Non-Executive Board Member and Mr P. Murray, Non-Executive Board Member.

In Attendance:

Ms J. Bennett, Associate Director for Quality Improvement & Safety; Ms J. Brown, Chief Internal Auditor; Mr C. Campbell, Chief Executive; Ms M. Carr, Service Director Department of Theatres, Anaesthetics & Critical Care; Mr C. Marriott, Deputy Director of Finance; Ms D. Howard, Head of Financial Services; Mr J. Old, Financial Controller; Mr A. Payne, Head of Corporate Governance; and Miss L. Baird, Committee Administrator.

Apologies from Members:

Councillor J McGinty, Non-Executive Board Member, Dr R. Williams, Non-Executive Board Member;

Apologies from Others: Mr C. Brown, Scott Moncrieff; Mr D. Eardley, Scott Moncrieff; Ms S. Goldsmith, Director of Finance and Mr J. Crombie, Deputy Chief Executive.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

22. Theatres Improvement Programme Update

- 22.1 Ms Carr spoke to the previously circulated report and presentation. She drew the committee's attention to the successes, lessons learnt and the barriers to progress within the programme.
- 22.2 Mr Murray welcomed the progress and improvement compared the position in June 2019. He questioned how NHS Lothian's performance compared to other Boards or whether the arrangements in place in Lothian were bespoke. Ms Carr advised that NHS Lothian's performance was comparative to other Board in most cases, with the exception of cancellations which were measured differently.
- 22.3 The committee discussed whether the programme had delivered on the expected cost saving benefits outlined within the original business case. Ms Carr advised that the Theatres improvement programme would provide the service with tools for improvement, noting that the return would be seen in the operational delivery of the service. Going forward it was hoped that the programme of work would be assumed into the daily tasks of the service and the theatre managers' operational role.
- 22.4 Mr Marriott acknowledged that the projected cost savings had not been achieved, noting that the original business case was produced 4 years ago and a number of things had changed during that time. He proposed that time would be best

focused into the Recovery Board going forward, and how the Sustainability and Value team could be used to support the service.

- 22.5 The committee agreed to support the proposal for the Theatre Optimisation/General Manager forum to transition into the Scheduled Care Recovery Programme Board structure.

Mr Campbell and Ms Carr left the meeting

23. Minutes of the previous meeting held on 31 July 2020

- 23.1 The minutes of the meeting held on 31 July 2020 were accepted as an accurate record and approved, subject to the removal of Mr Davison from the list of attendees.

24. Running Action Note

- 24.1 The committee noted the actions marked complete and those that were not due for consideration detailed within the report.
- 24.2 The committee accepted the running action note.

25. Corporate Risk Register

- 25.1 Ms Bennett presented the report highlighting the changes. She discussed the processes to maximise the benefits of the risk management system. Ms Bennett advised that she met with Ms Kasper to discuss how risk relates to the work of the governance committees.
- 25.2 Ms Kasper acknowledged that this was an ongoing process, and her session with Ms Bennett was beneficial. Once the process of strategic risks was at a more advanced stage, it would be good practice to document it and ensure that it is auditable. There would be value in reviewing how information on the corporate risk register was presented, and also some training for Board members on risk management. There should be consistency in the approach taken by all committees.
- 25.3 Mr Murray asked why the delayed discharge risk was still very high despite having a record low number of delayed discharges. The system should be able to recognise the impact of external factors on our risk register. Ms Bennett agreed that the risk register does need to be more reactive, and have a process of removing risks that are no longer risks.
- 25.4 Mr McQueen asked if the access to treatment risk relates to services other than cancer. Ms Bennett confirmed that Healthcare Governance Committee has been looking at all services, but agreed that the Committee should look at this risk again.
- 25.5 The Committee accepted the report and the recommendations.

26. Internal Audit Progress Report

- 26.1 Ms Brown presented the report.
- 26.2 Mr Murray asked about workforce planning and whether it would be prudent to consider the national developments in light of Covid. Ms Brown advised that internal audit planned to look at the subject in quarter four, so as to accommodate any developments.
- 26.3 Ms Kasper highlighted that it would be very helpful for internal audit to support giving assurance on the actions taken to deal with the Covid situation, and Ms Brown agreed to consider this. **JBr**
- 26.4 The Committee accepted the report.
- 27. Internal Audit: Report where all control objectives have significant assurance**
- 27.1 Ms Brown presented the report. Mr McQueen highlighted that a control objective required to be amended, and Ms Brown confirmed that she will do so.
- 27.2 The committee accepted the report.
- 28. Internal Audit Follow Up Report**
- 28.1 Ms Brown presented the report. Mr Connor highlighted that he was content with the updates that had been received, but was concerned about the points where updates had not been received. Ms Brown advised that some of these points are not higher priority, but agreed to follow them up.
- 28.2 Mr McQueen highlighted some higher priority points were raised pre-Covid and it was not clear from the update how they will be progressed. He did underline it was important to maintain follow-up.
- 28.3 Mr Murray highlighted that with regard to matters relating to integration functions it was not absolutely clear who was responsible for what, both in terms of corporate risks and audit actions. He also highlighted that the Board's policies on home working and mobile working need to be reviewed, to sustainably respond to Covid.
- 28.4 Ms Brown agreed it would be sensible to look at home working in the 2020/21 internal audit plan. She also confirmed that she will review the GP sustainability point with David Small. Mr Murray highlighted that primary care sustainability now required multi-disciplinary working, rather than focussing on GPs.
- 28.5 Mr Connor confirmed that he would raise with Mrs Goldsmith the issue of responses to audit follow-up so that she may flag it to the Corporate Management Team. **MC**
- 28.6 The Committee accepted the report.
- 29. Counter Fraud Activity**
- 29.1 Mr Old spoke to the previously circulated counter fraud update. He noted that counter fraud programme of work had been impacted by the Covid pandemic.

Since the meeting in July 2020 there had been 9 new referrals, 8 closed and 3 referrals were being followed up.

29.2 Mr Old reflected on receiving assurance that lessons from these cases are learned and that the Board's systems of control are strengthened by that learning. He noted that Ms Goldsmith would follow the committee's concerns up with management and provide assurance at the November Audit and Risk Committee.

SG

29.3 The Committee discussed the bank account take over, where a fraudster had hacked into emails between accounts payable and a supplier. Unfortunately in this case the Board's procedures were not followed. Members noted that if the procedure had been then this fraud could have been prevented.

29.4 Ms Howard advised that this was an exceptional case and the first instance of fraud within the service over a 20 year period. Also, services were audited regularly to ensure compliance to policies and procedures. Additional sessions had been scheduled with the senior teams. Ms Howard would continue to work with the team to improve compliance. The committee was assured that the bank account take over, was an isolated case within this team.

29.5 The committee discussed partnership involvement in relation to suspected instances of fraud and the pursuit of disciplinary action by Human Resources. It was noted that the Board was committed to working in partnership with the unions. Mr McQueen would pick up the details of the partnership agreement and what was required of the Board with Ms Butler, Director of Human Resources and Organisational Development.

BMcQ/ JB

29.6 The committee recognised that there were serious concerns surrounding the workings of several NHS Lothian Estates Departments. Members were assured that Ms Butler and Ms Campbell were assessing compliance to policy and procedures within the Estates Department.

29.7 The committee recognised the impact of Covid on the speed at which cases were presented. The Crown office would continue to work their way through the back log of cases.

29.8 The Committee accepted the report and a significant level of assurance that all cases of suspected fraud are accounted for and appropriate action was taken.

30. Write Off of Oversea Debt

30.1 Ms Howard presented the previously circulated report. She noted that the loss represents the cost of medical treatment at hospitals over the period August 2016 to October 2016. Initial hospital costs were £66,852; this was reduced by £13,968 to factor in emergency costs that were deemed non chargeable following a review by the Caldicott Guardian. Therefore, the total chargeable medical costs were £52,884. The CLO was employed to identify a suitable firm to pursue the debt in the patient's home county without much success.

30.2 It was noted that Border Control would not be notified of writing off the debt. If the individual return to the UK the debt, recovery would continue to be pursued.

Members took assurance from the links with Border control and previous successes relating to recovery of debt.

30.3 The committee noted that this was an exceptional case and did not follow the normal route. Standard process employed within NHS Lothian was the use of expert overseas debt collection agencies.

30.4 The committee confirmed that the Director of Finance may approach the SGHSCD for its approval to write-off this loss.

31. Any Other Competent Business

31.1 Royal Hospital for sick Children and Young People Internal Audit Report – Members noted that the final internal audit report for the Royal Hospital for Sick children and Young People would be published on the Board website this week.

31.2 There were no other items of competent business.

32. Reflection on the Meeting

32.1 The Chair noted that there had been good discussion however there was nothing that the Committee would wish to flag to the Board at this time.

33.2.2 The Committee recognised that Mr McQueen would pick up the details of the partnership agreement and what was required of the Board out with the meeting, prior to flagging issues to the Board.

33. Date of Next Meeting

33.1 The next meeting of the Audit and Risk Committee is scheduled for Monday, 23 November 2020 at 9.30 a.m. via MS Teams.

Chair Signed Minutes 23-11-2020

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9:30 am on Monday 23rd November 2020 via MS Teams.

Present:

Mr M. Connor, (Chair) Non-Executive Board Member; Ms K. Kasper, Non-Executive Board Member; Mr B. McQueen, Non-Executive Board Member; Dr R. Williams, Non-Executive Board Member; Mr P. Murray, Non-Executive Board Member, and Councillor J McGinty, Non-Executive Board Member.

In Attendance:

Ms J. Bennett, Associate Director for Quality Improvement & Safety; Mr C. Brown, Azets; Ms J. Brown, Chief Internal Auditor; Ms J. Campbell, Chief Operating Officer (University Hospital Services); Mrs S. Goldsmith, Director of Finance; Mr C. Marriott, Deputy Director of Finance; Ms D. Howard, Head of Financial Services; Mr J. Old, Financial Controller; and Mr A. Payne, Head of Corporate Governance.

Apologies from Non-Members: Mr J. Crombie, Deputy Chief Executive and Prof. A. McMahon, Director of Nursing, Midwifery & AHPs.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

34. External Audit Report 2019/20

34.1 Mr Connor highlighted that the external audit report was scheduled to be presented to this meeting, however it has been withdrawn. Mr Marriott explained that the Board had submitted its audited annual accounts on time at the end of June 2020. It was agreed that the external auditors would submit their substantive annual audit report later. The auditors must submit the report to the Auditor General by the end of November. The auditors issued the draft report to management on 18 November and management are actively reviewing that draft. The Committee Chair agreed that the draft report should not be presented to this meeting. Mr Payne advised that the external auditors independently prepare their report, and the report is not subject to the approval of the Board or its management. Nevertheless, the normal practice is for the Board's governance system to receive the report.

34.2 The Committee agreed that once the external auditors had finalised the report it should be circulated to the Committee members for their information.

CM

35. Minutes of the previous meeting held on 24 August 2020

35.1 Dr Williams advised that he had attended the meeting. The Committee approved the minutes of its meeting held on 24 August 2020, subject to making an amendment to reflect that Dr Williams was present.

35. Running Action Note

35.1 The committee accepted the running action note.

36. Corporate Risk Register

36.1 Ms Bennett presented the report.

36.2 The Committee members discussed the effectiveness of the risk management system and the risk register process. The Committee raised concerns that many risks are persistently graded as Very High and that there are examples where the overseeing committees continually agree that they have limited assurance on the management of those risks. The members agreed that they needed to consider what next steps the Audit & Risk Committee should take.

36.3 The Committee reflected on its role for risk management, which is essentially to get assurance that the overall system of risk management and internal control is operating effectively. It is for the Audit & Risk Committee to identify and communicate any weaknesses on that system to the Board and the other Board committees. The committee which oversees the individual corporate risks should attend to the specific issues of those risks. Ms Kasper highlighted that it was important to clearly document the processes for getting assurance. Currently those processes are not clear, which makes it difficult for the Audit & Risk Committee to carry out its role.

36.4 Ms Bennett advised that she is carrying out a high-level review of the risk register and will present a report to the Corporate Management Team in the first instance which will set out recommendations. Following the Corporate Management Team discussion, management will present recommendations to the Board. Ms Kasper added that she had carried out work earlier in the year and had helpful discussions with Ms Bennett on risk and committee assurance, and that this is pertinent to the issues the members were raising. Ms Kasper confirmed that that she will link in with Ms Bennett to progress this.

36.5 Mr Connor concluded that this issue should be raised with the Board. He highlighted that he has experience from another organisation where the Board carries out an annual forensic review of the corporate risk register.

36.6 Mr Murray asked whether there is a significant litigation risk developing for the Board due to COVID-19. Ms Bennett summarised the steps which management have taken to review and record what has happened during the pandemic, as well as promoting learning from deaths related to COVID-19

36.7 The Committee accepted the report and the recommendations to:

- note the reinstatement of the risk associated with the exit from the European Union (EU) (Brexit) onto the corporate risk register, as agreed by the Board in October 2020;
- accept the risk assurance table, as set out in Appendix 1 to the report, as a summary of all risks including levels of assurance and grading, as agreed by the relevant committee;
- note that a high-level review of the risks on the corporate risk register is being undertaken, including consideration of the impact of Covid-19; and

- note that there are a number of papers considered at the November Healthcare Governance Committee agenda that address a number of risks pertinent to this committee, for example, GP Sustainability and Access to Treatment (Patient Risk).

36.8 The Committee agreed that Mr Connor should report to the Board its current concerns on the effectiveness of the risk management system. **MC**

37. Internal Audit Progress Report – November 2020

37.1 Ms Brown presented the report. She advised that she has reviewed the internal audit plan and the available resources and created a deliverable internal audit plan. This plan will provide the Board with the necessary assurances for the year-end accounts.

37.2 In response to a query from Mr Murray, Ms Brown clarified that the proposed audit on 'Urgent Care' did relate to the redesign unscheduled care. She explained that the focus of the audit will be on the project management of the process to introduce re-design, rather than auditing new and developing systems. The Committee supported this approach.

37.3 Mr McQueen asked for an update on the process to re-appoint the internal auditors. Mr Marriott advised that an exercise is currently underway to procure an internal audit service for both NHS Lothian and NHS Borders. Management have set up a tender panel which includes both Mr Connor and the Chair of the NHS Borders audit committee. In the interest of efficiency, NHS Lothian will retain Grant Thornton until the end of the 2020/21 financial year, rather than potentially introducing a new audit team during the audit year. The Committee welcomed the update and supported this approach.

37.4 In response to a query from Mr Murray, Ms Brown explained that in the past NHS Lothian developed principles to underpin the working relationship between the NHS Lothian Audit & Risk Committee and the integration joint boards' audit committees. Ms Brown explained that there is a reasonable working relationship between the NHS Lothian internal audit function and the chief internal auditors of the integration joint boards ('IJB'), except for Edinburgh. The key issue with Edinburgh appears to relate to the intent to use the above principles to support the relationship between the local authority's audit committee and IJB audit committee. The principles were not created to apply to local authority committees, and the relationship between a local authority and the IJB is not a matter for NHS Lothian officers to attend to. Ms Brown advised that she is arranging a meeting with the IJB Chief Finance Officer and IJB Chief Internal Auditor in order to clarify and resolve the issue. Mr Murray welcomed the update noting that the Edinburgh IJB audit committee had recently discussed this issue.

37.5 The Committee accepted the report.

38. Internal Audit Report: Financial Controls (November 2020)

38.1 Ms Brown presented the report. She highlighted that the audit found that the Board's financial controls continued to operate successfully after the pandemic started. The report provides 'significant assurance' on four of the five control objectives which the audit covered. Ms Brown highlighted that the report includes one recommendation for finance staff to use the functionality of the finance system to confirm on the system that they have checked the bank account details

of new suppliers. The management response confirmed that this will be implemented immediately. As a consequence of that finding, the audit report provides 'moderate assurance' for the following objective: 'Goods and services are purchased through approved national frameworks, with accurate information prepared and reported on what is being bought, by whom, and for what price.'

- 38.2 Mr McQueen asked if the audit considered the risk of profiteering by suppliers, in light of the criticism that has been made at a UK level of the purchasing of personal protective equipment. He asked if the audit report provides any assurance that whatever NHS Lothian purchased was fit-for-purpose. Ms Brown clarified that the audit was limited to reviewing the operation of the systems of financial control, rather than the quality of the procurement process.
- 38.3 Mr McQueen also noted that the audit involved testing the control for a sample of seven out of forty-four new suppliers. While noting Ms Brown's explanation that the sample size is based on established audit methodology, he suggested that given the novel circumstances of the pandemic there is an argument for larger sample sizes.
- 38.4 Mr McQueen commented that the process of checking new supplier bank account details is a separate issue from the control objective stated in the report.
- 38.5 The Committee agreed that it was not clear to what extent the Board was directly responsible for the procurement of personal protective equipment, as a lot of activity was taken forward on a national basis. Ms Brown agreed to prepare a further short report which summarises how the procurement of personal protective equipment was carried out.
- 38.6 The Committee accepted the report.

39. Internal Audit Report: Follow Up of Management Actions (November 2020)

- 39.1 Ms Brown presented the report and advised that she is actively working with the Corporate Management Team to close the points down.
- 39.2 Mr Murray asked what approach should to be taken to follow-up due to the organisation having to respond to a pandemic. He highlighted that it is unclear to what extent it is reasonable to allow slippage, and that the operating context has significantly changed which may make the original audit actions no longer appropriate. Mr McQueen noted that some points have no response from the sponsor and asked what the process was to resolve this.
- 39.3 Ms Brown advised that the follow-up process involves a discussion with the relevant manager to understand what (if any) residual risk remains. That discussion informs the judgement on the status of the action. Ms Brown advised that if internal audit is not receiving a response from a manager then they escalate the matter to the relevant member of the Corporate Management Team.
- 39.4 The Committee accepted the report.

40. Counter Fraud Activity

- 40.1 Mr Old presented the report.

- 40.2 Mr McQueen said that the Committee is invited to agree that the 'report provides a significant level of assurance that all cases of suspected fraud are accounted for and appropriate action is taken'. Mr McQueen then highlighted a case relating to the administration and approval of overtime payments. He commented that the report does not say if this is an isolated case or not, and whether management have taken taking appropriate action to prevent the case recurring elsewhere within Lothian. Consequently, it is difficult to accept the recommendation as it is currently expressed.
- 40.3 Ms Howard explained that the payroll function no longer accepts process paper claims for overtime. Departments must submit all information through the SSTS system. There is segregation with the process so that one individual enters the data and another (with delegated authority to approve overtime) must approve it. Mr Old added that the reported case occurred before SSTS was used. The investigation did highlight concerns about the quality of the underlying record-keeping, and the manager has since taken action to address this.
- 40.4 Mrs Goldsmith advised that senior management do triangulate concerns from different areas to inform its approach. Senior management have commissioned internal audit to carry out a review. Mrs Goldsmith acknowledged that the counter fraud report does not currently give explicit and direct assurance on any remedial actions which may have been taken.
- 40.5 Mr McQueen highlighted that the reported case showed that there was not an adequate system of control in place for thirteen months. He advised that he wants assurance on the system of internal control within primary care to prevent the payment of inappropriate or fraudulent overtime claims.
- 40.6 Mr Murray referred to another case. He asked whether action had been taken to provide assurance that whenever NHS Lothian engaged an contractor to provide agency staff, the agency staff did carry out what they had been engaged to do. Mrs Goldsmith explained that this is a broad question to the whole system of internal control relating the procurement and use of agency staff.
- 40.7 Ms Kasper commented that the Committee's routine report on counter fraud activity is not necessarily about individual cases and the detailed systems of internal control. The Committee should use the reported cases to inform its assessment of the Board's overall system of internal control. She suggested that for future versions of the counter fraud activity report, it would be helpful to know for each case what systems of control should have prevented it, did those systems operate as intended, and what (if any) action was taken or is required to improve the Board's systems. Mrs Goldsmith agreed to explore this further. **SG**
- 40.8 Dr Williams commented that there was a small number of cases. It is not clear if this is a consequence of the Board's system of control being strong, or perhaps that the number being found and reported is lower than it should be. He suggested that it may be helpful to see benchmark information to understand how the Board compares. Mr Old advised that Counter Fraud Services does produce data on the number of referrals and cases, and NHS Lothian has been consistently at the top.
- 40.9 The Committee accepted the report as a briefing on the current status of counter fraud activity. The Committee agreed that the report provided a significant level of assurance that all cases of suspected fraud are accounted for and appropriate action was taken. However, the Committee agreed that the counter fraud activity

report should be developed further to improve the quality of assurance that appropriate action is taken to improve the Board's systems of control.

41. Write Off of Overseas Debt

41.1 Ms Howard presented the report and, following a question from Mr McQueen, agreed to provide a report to the next Committee meeting which shows the extent that NHS Lothian recovers debt associated with overseas patients. **DH**

41.2 The Committee confirmed that the Director of Finance may approach the Scottish Government Health & Social Care Department for its approval to write-off this loss.

42. Litigation Annual Report 2019/20

42.1 Ms Bennett presented the report. She highlighted the measures that are in place to continuously improve processes and use and maintain electronic records (rather than manual records). In response to a query from Mr McQueen, Mrs Goldsmith confirmed that when the Board is successful in any litigation, the Central Legal Office will pursue recovery of costs from the other party as part of the process of closing the case.

42.2 The Committee agreed to:

- accept the report as an annual update on litigation processes and activity in terms of numbers, financial impact and recurring themes;
- accept that the report provided a significant level of assurance for the effectiveness of the processes, and moderate assurance in terms of evidence of learning after cases are closed; and
- note that programmes of work are in place to improve management of and response to adverse events which may result in fewer settled claims, but recognising that events resulting in a claim are not always part of an adverse event process.

43. Any Other Competent Business

43.1 The Committee agreed that there was no other competent business.

44. Reflection on the Meeting

44.1 Mr Connor commented that there had been a very helpful discussion on the reporting of counter fraud activity. He concluded that he would highlight to the Board the Committee's concerns on the assurance that the system of risk management does lead to actions to mitigate risk.

45. Date of Next Meeting

45.1 The next meeting of the Audit and Risk Committee is scheduled for Monday 22 February 2021 at 9.30 a.m. via MS Teams.

Chair signed minutes 22-02-2021

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee Meeting held at 9:30 am on Monday 22nd February 2021 via MS Teams.

Present:

Mr M. Connor, (Chair) Non-Executive Board Member; Ms K. Kasper, Non-Executive Board Member; Mr B. McQueen, Non-Executive Board Member; Dr R. Williams, Non-Executive Board Member and Mr P. Murray, Non-Executive Board Member.

In Attendance:

Ms J. Bennett, Associate Director for Quality Improvement & Safety; Mr C. Brown, Azets; Ms J. Brown, Chief Internal Auditor; Mrs S. Goldsmith, Director of Finance; Mr C. Marriott, Deputy Director of Finance; Ms D. Howard, Head of Financial Services; Mr J. Old, Financial Controller; Ms O. Notman, Assistant Finance Manager; Mr A. Payne, Head of Corporate Governance; Mr J. Encombe, Non-Executive Board Member. and Miss L. Baird, Committee Administrator.

Apologies: Councillor J. McGinty, Non-Executive Board Member.

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

Welcome and Introductions

The Chair welcomed the members to the February 2021 meeting of the Audit and Risk Committee. He welcomed Ms Notman to the Committee noting that she would take on the role of Head of Financial Services when Ms Howard retires. The Chair wished Ms Howard well in her retirement, thanking her for her valuable contributions to the committee over the years.

The Chair welcomed Mr Encombe to the meeting.

46. Minutes of the previous meeting held on 23rd November 2020

46.1 The minutes of the meeting held on 23rd November 2020 was accepted as an accurate record.

47. Running Action Note

47.1 The committee noted the actions marked complete and those that were not due for consideration detailed within the report.

47.2 Ms Goldsmith advised that changes in respect of Counter Fraud Services would be reflected within the next report. She advised that the timing of the report would tie in with the upcoming internal audit on whistleblowing that was due to be presented in April 2021.

47.3 The committee accepted the running action note.

48. Internal Audit Progress Report – February 2021

- 48.1 Ms Brown presented the report. She assured the committee that the remainder of the plan had been scoped and there were a number of audits that were at draft reporting stage. She anticipated that three to four final reports would be brought forward for consideration in April 2021.
- 48.2 The committee discussed how audits completed on behalf of the Edinburgh & Lothians Health Foundation were funded and the impact of this on the capacity within the Internal Audit Team. Ms Brown explained that audits for the Foundation were part of a separate service level agreement, where the NHS Lothian Internal Audit Team were appointed as the internal auditors for the Foundation. She advised that the cost of any work carried out on their behalf sits with the Foundation.
- 48.3 It was noted that as part of a legacy agreement between the respective councils and NHS Lothian, dedicated time had been set aside to support integration joint board ('IJB') audits. The IJBs have appointed their local authority internal audit teams to be their internal audit provider. The NHS Lothian internal audit team provides them with some support and a number of days have been set aside within the NHS Lothian for IJB issues that were relevant to NHS Lothian.
- 48.4 Members recognised that the plan being considered was not aligned with current areas of high organisational risk. Ms Brown acknowledged the need to be flexible and pragmatic during the pandemic in the development of the internal audit plan for 2021/22. Going forward she would work closely with the Corporate Management Team around the risk register, emerging risk, Covid risks and produce a deliverable Internal Audit Plan that is aligned to the risk of the organisation.

JBr

- 48.5 Ms Goldsmith agreed to bring a report to the April 2021 Audit and Risk Committee indicating what progress had been made to date against the recommendations from the RHCYP/ DCN audit. Highlighting within the report what was complete and what remains ongoing, whilst recognising that the work would not come to fruition within the current year. The report would also include further information around due diligence for capital projects in terms of standards in guidance.

SG

- 48.6 The Committee accepted the report.

49. Internal Audit Report: Follow Up of Management Actions (February 2021)

- 49.1 Ms Brown presented the Internal Audit Report: Follow-up of management Actions (February 2021).
- 49.2 Ms Brown noted that there was ongoing dialogue in respect of management actions around the audit on patients (adults with incapacity). The service had provided assurance that in November actions had been taken and would be closed off in the near future. A further request to push back the action had been subsequently received. Ms Brown had requested further information around the priority within the service to complete the outstanding actions and would feedback in the April report.

49.3 It was recognised that with Near Me and all the landscape changes that the original management action around GP sustainability had been superseded, therefore it would be removed from the 2020/21 audit plan. Ms Brown advised that she would consider GP Sustainability in the development of the Internal Audit Plan for 2021/22.

49.4 Mr McQueen noted that there had been some delay in making progress against management actions relating to patient funds. He questioned whether lessons could be learnt from other boards to close off the actions in Lothian. Ms Brown noted that the request to push back the deadline had cited resource and time issues as the reason behind the delay. A dedicated person had been appointed and the team were confident that the action would be close off by the end of March. Mr Marriot took an action to pick this up through the Corporate Finance Network and do testing with other Boards and provide feedback to the Committee.

CM

49.5 Mr Murray asked whether the recommendation and action regarding the proposed public involvement framework required to be reconsidered in light of the context of the pandemic. Ms Brown agreed to pick this matter up with Ms Butler to confirm the validity of the recommendation, whether there was a need to think about revising the documentation in line with the impact of Covid prior to its submission to the Board and feedback through the running note.

JBr

49.6 The Committee accepted the report.

51. External Audit Plan 2020/2021

51.1 Mr Brown presented the External Audit Plan 2020/2021. Key risks related to changing controls and governance processes and procurement fraud.

51.2 Revenue recognition was highlighted within the plan for the first time this year. Mr Brown explained that this was due to the amount unpredictable funding around Covid, timing of allocations and uncertainty around the totality of the payments.

51.3 The committee noted that asset valuations was a national issue. This was due to asset valuers being unable to visit sites and the uncertainty around property market. Therefore, asset valuers had not been able to provide certainty around valuations as in previous years.

51.4 Audit Scotland had requested that all external auditors look at risk around governance and transparency, financial stability, and counter fraud in relation to COVID-19. Mr Brown and colleagues would ensure that future reports to the Audit and Risk Committee would provide updates on these areas.

51.5 Mr Brown noted that the last significant risk related to the Royal Hospital for Children and Young People and the following developments on that project. He noted that they would follow up on all aspects of the project and report back through their annual report on this matter.

51.6 The committee noted that timescales for the submission of the accounts and the report would be 30th September 2021 as in previous years. Mr Brown explained that they would aim for the end of June 2021, supporting the Board's timescale for

signing off the accounts. Mr Brown would oversee the timescales and continue to work closely with Mr Marriott and his team to achieve this.

51.7 Mr Brown explained that the proposed audit fee was still to be agreed and that he would liaise with Ms Goldsmith and Mr Marriott in respect of the audit fee.

51.8 Mr Brown assured the Chair that there were no statutory issues in respect of time delay for the submission, noting that the deadlines of 30th September 2021 would be achievable. He also advised that the Scottish government had taken the decision to push back the consolidation agenda until December 2021.

51.9 Mr Payne advised Mr Brown of an error on Page 24 of the report. He confirmed that since December 2020 there was a facility for members of the public to join NHS Lothian's Board meetings. Mr Brown would update the report in light of this additional information.

CB

51.10 The committee discuss the Sharing Intelligence for Health and Social Care and its potential to impact the organisation. Mr Brown advised the Committee that the group was made up Health Bodies that collectively share information from scrutiny activities across the sector. They meet monthly and discuss a couple of Health Boards at each meeting. He noted that their work would not impact on the Audit Committee or Health Board.

51.11 Mr Murray questioned whether the work in respect of the Royal Hospital for Children and Young People would have an impact on the ongoing public inquiry. Mr Brown would seek to have discussions with the inquiry team to ensure that their work is not duplicated and timelines for reporting remained appropriate.

CB

51.12 Mr McQueen noted that during Covid there was a focus on counter fraud and the propriety of procurement exercises of NHS Boards. He questioned whether it was for the external auditor or the Chief Internal Auditor and her team to consider how much extra procurement NHS Lothian has engaged in due to the pandemic. Mr Brown advised that if Internal Audit decided this was a significant risk it would be for Ms Brown's team to seek assurance on the matter. He noted that external auditors would not act as the third line of defence of the organisation. They would look at their view of the risk and whether it had been appropriately covered by internal audit as part of their audit.

51.13 The committee accepted the report.

52. Counter Fraud Activity

52.1 Mr Old presented the report. He explained that three cases had been closed with specific actions, six new referrals, one escalated to a full investigation and one referral closed.

- 52.2 Mr Old advised that there had been delays to cases that had been marked by the Crown office. Further advice in respect of when these cases would be seen was awaited.
- 52.3 Mr McQueen requested that Mr Old clarify and distinguish within future Counter Fraud reports which cases had been marked by the Crown Office and those that were waiting in the systems. Mr Old would ensure that this was in place in advance of the next report.
- JO**
- 52.4 Mr Murray questioned what was the extend of procurement breaches and how widespread is it within the organisation. Mr Old advised that CFS would be doing more analytical work in respect of PECOS to identify trends to support the mitigation of future risks of procurement fraud.
- 52.5 Mr Murray questioned whether operation Cheadle would extend into an enquiry of other trades using the on call system if proven. Mr Old explained that an internal investigation had taken place and the outcome of it had been handed over to CFS. He explained that when Agenda for Change had been introduced, clear guidance had not been provided to staff. As a result old local rules where not replaced by the new formal rules. No formal disciplinary action would be taken, and lessons from the investigation were disseminated through the organisation to increase awareness and prevent further instances of fraud.
- 52.6 The committee discussed counter fraud training and the decision to exclude it form the mandatory training pack. Human Resources had recognised that the burden of mandatory training on staff was high and did not want to increase that burden. The committee agreed that the requirement should be revisited, and if staff were in an applicable role, CFS training should be included as mandatory.
- 52.7 Ms Kasper noted that a lot of the controls around procurement stemmed from a policy. She explained that control derived from policy was only as good as the testing behind that. She questioned what system of testing was in place for procurement processes. Ms Howard confirmed that 96% of spend goes through PECOS systems, and within PECOS there are levels of control that ensure that only certain individuals have authority to authorise against specific values. For the 4% that are out with the system, procurement will continue to pursue these and ensure that the correct processes are followed. Orders that come in out with PECOS would still require appropriate sign off prior to payment. Accounts payable would check that the appropriate individual had signed this off and have authority to do so. Ms Kasper welcomed this clarity and assurance.
- 52.8 The committee accepted the report as a brief on the current status of counter fraud activity and accepted that it provided a moderate level of assurance that all cases of suspected fraud were accounted for and appropriate action had been taken.

53. Corporate Risk Register

- 53.1 Ms Bennet presented the previously circulated risk register paper.
- 53.2 The Chair questioned whether the outcomes of the review and the recommendations made to the CMT would be brought to the Board to consider, in full meeting or in the form of a development session. Ms Bennet confirmed that the

findings would be shared after the end of March when CMT make their recommendations to the Board.

53.3 Ms Kasper questioned whether there would be a strengthening of the Corporate Risk Register processes to include strategic risk and whether there the register would link into other strategic planning activities currently taking place. Members agreed that Audit and Risk Committee was not the correct forum for this discussion, and this should be picked up through discussion at the Board and the Planning, Performance & Development Committee.

53.4 The committee noted that discussion around the recovery plan will be led by Scottish Government and it would be for them to determine where NHS Lothian was and how the context has changed. Ms Goldsmith noted that the recovery plan remained high on the Chief Executives' agenda and would be discussed further at the Planning, Performance & Development Committee.

53.5 The committee accepted the risk assurance table as a summary of all the risks including levels of assurance and grading as agreed by the relevant committee.

53.6 The committee noted that the Corporate Management Team has considered the output of a high-level review of the risks on the corporate risk register and associated processes and accepted a number of recommendations to strengthen the risk management process.

53.7 The committee noted that processes had been put in place to report, review, and escalate adverse events relating to the Covid vaccination programme.

54. Recovery of Overseas Debts

54.1 Ms Howard presented the previously circulated report.

54.2 Mr McQueen questions whether the time of the four full-time overseas and private patients' officers could not be better spread to provide a service over the weekend, and work done to improve the quality and timeliness of reports made within Trak. Ms Howard advised that the team would continue to work to improve the service recognising the challenges associated with the pandemic and working from home.

54.3 Ms Howard would consider how the SFR18 paper could include more information in respect of progress made against overseas patients, as part of the annual paper provided to the Audit and Risk Committee.

DH/ ON

54.4 Ms Howard agreed to follow-up on Dr Williams questions in respect of consistency within primary care and whether there were certain services that were more prone to overseas patients which NHS Lothian could target its resources and ask Ms Macintyre to feedback.

DH/ SM

54.5 The Committee took significant assurance that controls were in place to monitor and recover the debt incurred when medical treatment was given to a person who was liable for the costs of NHS care.

55. 2019/2020 Patient Funds Annual Accounts

- 55.1 Ms Howard presented the previously circulated paper.
- 55.2 The committee noted that the typographical error in the title, recognising that the accounts being presented were for 2019/20 not 2018/19
- 55.3 The committee accepted the management letter from Azets as a source of significant assurance in relation to the draft annual accounts and the underlying systems of internal control.
- 55.4 The committee agreed to recommend to the Board that the Chief Executive and the Director of Finance to sign the “Statement of Lothian NHS Board Members’ Responsibilities” on the Board’s behalf.
- 55.5 The committee agreed to recommend to the Board that following the Board’s consideration, the Director of Finance and the Chief Executive sign the “Abstract of receipts and Payments” (SFR19.0).
- 55.6 The committee agreed to recommend to the Board that the Board approve the draft Patients’ Private Funds accounts for the year ended 31 March 2020.

56. Review of the Standing Financial Instructions

- 56.1 Ms Goldsmith presented the report.
- 56.2 The committee reviewed the proposed changes to the Standing Financial Instructions. The committee agreed to recommend the revised Standing Financial Instructions to the Board for its approval.

57. Review of the Scheme of Delegation

- 57.1 Mr Payne presented the report, highlighting that the key changes related to:
- Sections 1 & 2 – Approval of items for the Capital Programme
 - Section 16 – Financial Services
 - Managerial changes
- 57.2 The committee discussed whether the Scheme of Delegation required the Project Director or the Project Manager to be Board employees or did it allow NHS Lothian to appoint to the roles from out with. Ms Goldsmith agreed to consider this point further.
- 57.3 The Committee reviewed the proposed changes to the Scheme of Delegation. The Committee agreed to recommend the revised Scheme of Delegation to the Board for its approval subject to an updated proposal being circulated to members before the April Board meeting.

SG

58. Any Other Competent Business

- 58.1 The Committee agreed that there was no other competent business.

59. Reflection on the Meeting

59.1 Mr Connor commented that there had been a very helpful discussions on the reporting of counter fraud activity and risk management. He was mindful that there was nothing that the committee would flag to the Board however, Mr Connor would flag concerns raised in respect of risk management to the Planning, Performance and Development Committee. **MC**

60. Date of Next Meeting

60.1 The next meeting of the Audit and Risk Committee is scheduled for Monday 26 April 2021 at 9.30 a.m. via MS Teams.

Chair signed minutes 26-04-2021

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee meeting held at 9:30 am on Monday 26th April 2021 via MS Teams.

Present:

Mr M. Connor, (Chair) Non-Executive Board Member; Ms K. Kasper, Non-Executive Board Member; Mr J. McGinty, Non-Executive Board Member and Mr P. Murray, Non-Executive Board Member.

In Attendance:

Ms J. Bennett, Associate Director for Quality Improvement & Safety; Ms K. Brooks, Grant-Thornton; Mr C. Brown, Azets; Ms J. Brown, Chief Internal Auditor; Mr C. Campbell, Chief Executive, Mr J. Crombie, Deputy Chief Executive; Mrs S. Goldsmith, Director of Finance; Mr C. Marriott, Deputy Director of Finance; Ms O. Notman, Head of Financial Services; Mr J. Old, Financial Controller; Mr A. Payne, Head of Corporate Governance and Miss L. Baird, Committee Administrator.

There were no apologies for absence

The Chair reminded members that they should declare any financial and non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. There were no declarations of interest.

Welcome and Introductions

The Chair welcomed the members to the April 2021 meeting of the Audit and Risk Committee

1. Minutes of the previous meeting held on 22nd February 2021

1.1 The minutes of the meeting held on 22nd February 2021 was accepted as an accurate record.

2. Running Action Note

2.1 The committee noted the actions marked complete and those that were not due for consideration detailed within the report.

2.2 The committee accepted the running action note.

3. Corporate Risk Register

3.1 Ms Bennett presented the previously circulated paper.

3.2 Members advised that next steps would focus on ownership of the risks under review. This would include a review of the risk description; what action plans were in place to mitigate the risk and confirmation of controls around management and assurance reporting.

3.3 Members noted that an internal audit looking at the acute and health and social care risks had been commissioned. The audit would consider whether there was a

robustness around the escalation process from an operational level into the Corporate Risk Register.

- 3.4 The Chair thanked Ms Bennett for her informative paper. The Chair was pleased to see that the recommendations to the Board had been approved. He also welcomed the proposed bi-monthly review of the report by the Corporate Management Team going forward.
- 3.5 The committee discussed the timely discharge of patients and impact on flow that resulted from the unknown factors around the second wave of the pandemic. Ms Bennett advised that the report back to the Board would describe the positive steps made against delayed discharges and reflect in the Corporate Risk Register both the high and lows during that period.
- 3.6 Mr Murray drew the committee's attention to risk 3211 – Access to Treatment. He questioned what aspects of the remobilisation plans had provided the Healthcare Governance Committee with limited assurance given the growing volume of long waits. Ms Bennett explained that the committee had recognised that access to treatment was out with their control however, they were comfortable that the processes around clinical prioritisation ensured that those with the greatest need were being put forward for treatment.
- 3.7 Mr Campbell explained that discussions around the review of risk and the Corporate Risk Register had focused on the impact on the NHS Board rather than the integration joint boards (IJBs). Mr Campbell would have a discussion with Mr Murray out with the meeting to identify how the respective risk registers of the IJBs could be linked to the Corporate Risk Register.
- 3.8 Ms Bennett provided an overview of her work with Ms Kasper around a future session on risk and the proposed programme. She noted that a formal programme would be circulated to the non-executives when available.
- 3.9 Members thanked Ms Bennett and her team for their extensive work on the review of risk across the organisation and the assurance that it provides the Committee and the Board.
- 3.10 The committee noted the April 2021 Board approved the Corporate Management Team recommendations for individual risks on the Corporate Risk Register.
- 3.11 The committee noted the scope of the internal audit of risk management in 2021.

4. Internal Audit Progress Report – April 2021

- 4.1 Ms Brown presented the report. She reported that since the February meeting two reports had been finalised. The remaining five reports and the annual audit opinion would be presented to the June Audit and Risk Committee.
- 4.2 The committee noted that the internal audit team were working with the Corporate Management Team to develop the 2021/2022 Internal Audit Plan. In advance of the June meeting Ms Brown was seeking the Committee's views on the proposed Q1 audits for the 2021/22 plan detailed within the report.

- 4.3 The committee discussed the work with the chairs of the IJB audit committees and the best use of resources in terms of assurance. Ms Brown advised members that going forward arrangements would remain the same in West Lothian with joined up assurance through the operational risk register. A revised proposal that would see the Internal Audit Team support one piece of work for each of the IJBs was being developed. Overall there was a broad agreement for each of the IJBs going forward.
- 4.4 The committee agreed to approve the 2021/22 Q1 audits of violence and aggression, property transactions, whistleblowing and water safety.
- 4.5 The committee discussed the timing of the whistleblowing audit considering that the systems to implement the new national standard were in the early stages of development. Ms Brown assured the committee that the internal audit team would take on an advisory role. Her team would work with management on the design process, identifying gaps and progress against the guidance. Ms Brown continues to work with Ms Butler to refine the scope of the audit.
- 4.6 The Committee accepted the report.

5. Waiting Times – Compliance with Data on TrakCare (March 2021)

- 5.1 Ms Brown presented the Waiting Times – Compliance with Data on TrakCare (March 2021). She explained that the audit had achieved all green ratings.
- 5.2 The committee were assured that although there had been a period of uncertainty around waiting times, there was clear adherence to Scottish Government Guidance and continued checks on the underlying data.
- 5.3 The committee accepted the report.

6. Internal Audit Report: Follow Up of Management Actions (April 2021)

- 6.1 Ms Brooks presented the Internal Audit Report: Follow-up of management Actions (April 2021). She noted the good progress reflected within the report and actions that were closed off.
- 6.2 Ms Brooks had discussed the GP Sustainability Audit with the Director of Primary Care Transformation and come to agreement that the audit would be put on hold until the New Director of Primary Care Transformation was in post. This would ensure that the audit provides the best assurance to the committee and new Director.
- 6.3 The Committee accepted the report.

7. Counter Fraud Activity

- 7.1 Mr Old presented the report. He reported that CFS held four Microsoft Teams events and shared two alerts with all relevant parties. Since the February meeting there were six active referrals and eight operations in progress.

- 7.2 Work to re-establish the Counter Fraud Action Group was in progress. The group would focus on recommendations from CFS, follow-up of those recommendations, developing better communications and training.
- 7.3 The committee accepted the report as a briefing on the current status of counter fraud activity.
- 7.4 The committee agreed that the report provides a moderate level of assurance that all cases of suspected fraud are accounted for and appropriate action is taken.

8. Update on Service Audit Activity during 2020/21

- 8.1 Mr Marriott presented the previously circulated update on Service Audit Activity during 2020/21 from Caroline Lowe. The letter outlined the specific concerns and highlighted the commitment to work with new auditors, KPMG to provide assurance on actions carried out in year to enable NHS Lothian's plan's to be finalised.
- 8.2 Ms Lowe would meet with NHS Lothian on 3rd June 2021 and it was expected that NSS would provide a qualified opinion depending on how the audits conclude. The Committee recognised the importance of the NSS audits in underpinning NHS Lothian's audit and accounts.
- 8.3 Mr Brown noted concerns about the timing of the opinion from NSS and how close the deadline was to the close out meeting. Mr Marriott would discuss the concerns of the external auditor with Ms Lowe, requesting early notification on material risk and report back to Mr Brown.

CM

- 8.4 The committee noted the update on Service Audit Activity during 2020/21 and the information therein.

9. Accounting Policies

- 9.1 Ms Notman presented the previously circulated accounting policies. She explained that the report was the annual report that invites the committee to review and approve the accounting policies that would support the preparation of the annual accounts.
- 9.2 It was noted that NHS Board had been instructed by the NHS Scotland Technical Accounting Group to use the 2019/20 Annual Accounting and Capital Accounting Manual to complete the 2020/21 accounts. No new manual would be released for the period of 2020/21. Key updates to the 2020/21 accounts were detailed on a separate appendix.
- 9.3 The committee noted that the timeline for the completion of the annual accounts had been extended to 30th September 2021 however NHS Lothian would continue to work to its original timelines.
- 9.4 Ms Notman reported that IRF16 the revised standard for lease accounting had been deferred further by one year and would now come into effect from financial year 2022/23.

9.5 The committee reviewed and approved the accounting policies, confirming that they were appropriate for the Board at the present time for the purpose of giving a true and fair view.

10. Progress on RHCYP/ DCN Audit Actions

10.1 Ms Goldsmith presented the report. She explained that the agreed deadline for the implementation of the management response was December 2020 and she acknowledged that the timescale had not been met. This was due to the extent of the work involved in addressing the recommendations.

10.2 The committee noted the exercise that would bring a document outlining progress against the recommendation, bringing a clear way forward with key milestones. This will clearly outline the process to be followed, highlighting and identified how each recommendation sits against national guidance and strategic direction.

10.3 Mr Marriott explained that NHS Assure was in its infancy and NHS Lothian would need to see how it links into its own internal processes. The committee agreed that a fuller discussion with examples to be worked though should be brought back to a future meeting of the Audit and Risk Committee. The Chair would take advice from Ms Goldsmith and Mr Payne on the timeline for the report.

MC/SG/AP

10.4 The committee discussed whether there was added value in including an option to not proceed in diagram 1 of the report. Mr Marriott advised that although it was not explicit within the report there was the option for progress against recommendations to be halted by NHS Lothian and Scottish Government.

10.5 Mr Murray questioned whether the green agenda should be referenced under the compelling case for change section on page 10 of the report. Mr Marriott agreed to give this feedback to the authors.

CM

10.6 The committee discussed whether risk management compliance in respect of the Senior Responsible Office should be included within the report. Mr Payne explained that the Finance and Resources Committee terms of reference now includes seeking assurance regarding the Senior Responsible Officers. He advised that the Scheme of Delegation which the Board approved on 7 April includes additional controls relating to the Senior Responsible Officer.

10.7 Mr Payne advised that the Scheme also transfers the authority to approve initial agreements to the Planning, Performance & Development Committee.

10.8 The committee accepted the report as a source of moderate assurance that management have started to take appropriate action on the recommendations and that some progress has been made.

10.9 The committee accepted that due to resource constraints the full completion of the management actions will not be completed until December 2021.

10.10 The committee noted that the development of the NHS Assure may have an influence on the development of the framework.

11. Results of the Members Survey

11.1 Mr Payne presented the results of the members survey. He invited members to provide direction in respect of their individual training needs and of areas where they would like further information. Members would approach Mr Payne individually.

11.2 The committee accepted the report.

12. Audit Scotland: Covid 19 Guide for Audit & Risk Committees

12.1 Mr Payne presented the Audit Scotland: Covid Guide for the Audit and Risk Committee.

12.2 Mr Brown advised that he had not had the opportunity to go through the checklist in detail. He welcomed the work NHS Lothian had done to develop the checklist and would go through it in detail as part of the audit.

12.3 The committee discussed the effects of the answers to the checklist impact on other committees and how this flows through to the Board. Whether the necessary changes would have a long term impact as the consequence of a short term challenge and whether these were the correct solutions or if they would be reconsidered post Covid.

12.4 The committee agreed that that there should be a development session on the Audit Scotland: Covid 19 guidance for the Audit and Risk Committee. Mr Marriott confirmed that he would organise a session out with the normal cycle of meetings. He proposed that the session would be a 2 in1 session that would improve the skill set and understanding around the Audit Scotland: Covid 19 Guide for the Audit and Risk Committee and give Board members a wider understanding of the financial aspect. The session would be primarily for the Audit and Risk Committee Members, but it would be opened up to other Non-executive who expressed an interest in the session.

CM

12.5 The committee accepted the report.

13. Any Other Competent Business

13.1 The Committee agreed that there was no other competent business.

14. Reflection on the Meeting

14.1 Mr Connor commented that the meeting was much shorter and streamlined under the revised structure. He would work with Mr Payne to devise a form of words to capture the committee's discussion around how the answers in the checklist impact on other committee and flow to the Board to bring it to the Board's attention.

MC/AP

15. Date of Next Meeting

15.1 The next meeting of the Audit and Risk Committee is scheduled for Monday 21 June 2021 at 9.30 a.m. via MS Teams.

Chair signed minutes 21-06-2021