

Audit and Risk Committee

Minutes of the Audit and Risk Committee meeting held at 9.30 am on Monday, 20 June 2022 via MS Teams.

Present:

Mr M. Connor (Chair), Non-Executive Board Member; Mr P. Allenby, Non-Executive Board Member; Ms K. Kasper, 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; Mr C. Campbell, Chief Executive; Mr J. Crombie, Deputy Chief Executive; Mr P. Clark, Grant Thornton; Mr D. Eardley, Azets; Ms N. Mackenzie, Azets; Mr C. Marriott, Director of Finance; Mr D. Graham, Internal Audit Manager; Ms O. Notman, Head of Financial Services; Mr A. McCreadie, Deputy Director of Finance; Ms A. Macdonald (Mr J. Old, Financial Controller; Ms G. McAuley, Nurse Director – Acute Services 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.

Welcomes and Introductions

The Chair welcomed Members to the June meeting of the Audit and Risk Committee.

12. Minutes of the previous meeting held on 11 April 2022

- 12.1 The minutes of the meeting held on 11 April 2022 were accepted as an accurate record and approved.

13. Running Action Note

- 13.1 The Committee noted the actions marked complete or items on the agenda for further discussion and those that were not due for consideration detailed within the report.
- 13.2 Violence and Aggression – Ms McAuley agreed to provide a copy of the paper approved by Staff Governance Committee for the next meeting. **GMcA**
- 13.3 The Committee accepted the running action note and the information therein.

14. Risk Management

- 14.1 NHS Lothian Corporate Risk Register - Ms Bennett presented the previously circulated report.
- 14.1.1 The Committee noted that the April 2022 Board accepted the following recommendations from the Corporate Management Team (CMT):
- The removal of the complaints risk based on comparative performance, assurance level and risk grading and put it onto the Corporate Nursing risk register.

- That the current Covid-19 risk can be closed and a new risk accepted with a public health focus.
 - That the new risk description related to timely discharge has been re-framed to focus on hospital bed occupancy.
 - That there had been a change in the description of the finance risk, following consideration at the January 22 meeting of the Finance and Resource Committee.
- 14.1.2 Ms Bennett advised that the CMT would recommend to the July 2022 Board that Hospital Sterilisation Decontamination Unit (HSDU) capacity was entered onto the Corporate Risk Register.
- 14.1.3 Members reviewed the updates provided by the Executive Leads concerning risk mitigation set out within the report.
- 14.1.4 The Committee noted that a schedule of risk assurance reporting to the Planning, Performance and Development Committee was in development.
- 14.1.5 The Committee noted that the divisional high and very high risks would be considered at the July 2022 CMT meeting.
- 14.1.6 The Committee accepted the report.
- 14.2 Risk Management Annual Report 2021/2022 – Ms Bennett presented the previously circulated paper.
- 14.2.1 The Committee accepted the Risk Management Annual Report for 1 April 2021 to 31 March 2022 as moderate assurance that there were systems in place to manage risk across NHS Lothian based on a range of improvements that have been put in place during 2021/22 to further strengthen the risk system.
- 14.2.2 The Committee noted that Healthcare Governance Committee (HGC) which seeks assurance on the management of adverse events accepted the following in November 2021 and May 2022:
- Significant assurance that local processes were in place to identify events which require to be reported to Healthcare Improvement Scotland (HIS) to comply with the new national notification process and note number and types of events reported
 - Moderate assurance in the progress made in improving processes for management of significant adverse events (SAEs) and in addressing the backlog
 - Moderate assurance on process for safety alerts and the associated reports up to March 2021
 - HGC approved NHS Lothians Duty of Candour Annual report at its September 21 meeting prior to publication on NHS Lothian internet site in line with national requirements.
- 14.2.3 The Committee noted that the Annual Internal Audit into risk management reported to the June 2021 Audit & Risk Committee, the control objectives were all assigned Moderate Assurance and findings were being used to review NHS Lothian's Risk Management Policy and Procedure (October 2018).
- 14.2.4 The Chair thanked Ms Bennett and her team for their extensive work around the risk register and the individual ratings that had prompted more lively discussions around the risks within the organisation.

- 14.3 Litigation Annual Report 2021/22 – Ms Bennett presented the previously circulated report.
- 14.3.1 The Committee discussed the purpose of the report and how that could be better reflected within the title of the report. Ms Bennett took an action to consider identifying a more suitable title that describes the purpose of the report for future years. **JB**
- 14.3.2 Members discussed whether claims made in relation to violence and aggression against members of staff and whether the organisation was pursuing criminal action against individuals who cause the harm were included within the report. Ms Bennett took an action to discuss this with the Central Legal Office and feedback through the running action note. **JB**
- 14.3.3 The Committee accepted the report as an annual update on litigation processes and activity in terms of numbers, financial impact and recurring themes and that there was significant assurance that there were effective process and adherence to standards.
- 14.3.4 The Committee accepted moderate assurance that there was evidence of learning after cases were closed based on programmes of work in place to improve management of and the response to adverse events but recognised that events resulting in a claim are not always part of an adverse event process and that claims can take a considerable time to reach completion.
- 14.3.5 The Committee accepted the report.
- 15. Internal Audit**
- 15.1 Internal Audit Progress Report – June 2022 – Mr Clark presented the previously circulated report.
- 15.1.1 It was noted that since the April Audit and Risk Committee meeting, field work for all 2022 audits had completed, 6 reports had been finalised and there were 2 audits outstanding relating to delayed discharges and the additional payments to staff resulting in overpayment.
- 15.1.2 The Committee thanked the Internal Audit Team for the dedication and hard work that led to the completion of the 2022 Internal Audit Plan, despite the challenges they had faced relating to resources and the pandemic.
- 15.1.3 The Committee accepted the report.
- 15.2 Internal Audit Follow-up of Management Actions Report (June 2022) – Mr Clark presented the previously circulated report. He advised that since the April meeting of Audit and Risk Committee there had been no new actions added to the tracker.
- 15.2.1 Mr Clark advised that of the twenty actions were being monitored, six had been closed, five were overdue, nine were not due. He assured the Committee that of the five that were overdue only one action relating to a medium risk was more than three months overdue.
- 15.2.2 The Committee accepted the report.

- 15.3 Internal Audit Report: Absence Management (June 2022) – The Committee noted the previously circulated report and the information therein.
- 15.4 Internal Audit Report: IT Asset Management (June 2022) – The Committee noted the previously circulated report and the information therein.
- 15.5 Internal Audit Report: Water Safety in New Build Sites (June 2022) - The Committee noted the previously circulated report and the information therein.
- 15.6 Internal Audit Report: Analytical Services and Robustness of Data (June 2022) - The Committee noted the previously circulated report and the information therein.
- 15.7 Internal Audit Report: Estates Follow-up of implementation of internal audit recommendations (June 2022) - The Committee noted the previously circulated report and the information therein.
- 15.7.1 The Chair drew attention to the extensive work taken on the by the Estates Team overseen by Mr Crombie to address concerns raised within the internal Audit report. He noted that this was a good example of how a difficult situation can be turned around and a positive outcome achieved. He expressed his thanks to all those involved in this work.
- 15.8 Internal Audit Report: Review of Waiting List Initiative (WLI) payments – Mr Clark provided a brief overview of the previously circulated report
- 15.8.1 Mr Clark explained that the report did not provide a level of assurance as the audit had been a result of a known failure within the system and other investigations across all specialities were in progress.
- 15.8.2 It was noted that the 6 recommendations within the report related to:
- Updating protocols for waiting list initiative payments.
 - Review design of job planning design process.
 - Assuring that the work not pre-authorised that work will not be undertaken and paid for.
 - Assuring that payment forms are adequately completed and if not work should not be undertaken or paid for.
 - Monitoring additional programmed activities and removing those that breach the limit of 10 per individual.
 - Monitoring additional payments made beyond 12 months and ensuring that theses were captures as individuals move into new roles.
- 15.8.3 The Committee discussed the likelihood of these errors being replicated in other areas within the organisation and what measures could be put in to mitigate other instances of overpayment occurring. It was noted that as part of additional investigation the team were looking at the total spend for waiting list initiative payments across all services to identify whether there were any other instances of overpayment.
- 15.8.4 It was noted that a detailed review of the waiting list initiatives would also take place annually, along side a couple of targeted audits on payments made to staff and overpayments during the 2022/23 period as well as a communication piece to raise awareness of this issue and action taken to improve processes.

- 15.8.5 The Committee discussed previous failings related to the use of electronic signatures and actions identified to address this as part of the review of processes in place and linking in with Line Managers to ensure that they are held accountable for payments approved within their service.
- 15.8.6 The Committee accepted the report.
- 15.9 Internal Audit Annual Report and Opinion 2021/22 (June 2022) – Mr Clark presented the previously circulated report. He explained that the report summarised the work that had been undertaken throughout the year.
- 15.9.1 It was noted that the key issues related to the delivery of the plan in light of the reduced resource and the challenges associated with the pandemic.
- 15.9.2 The Committee accepted the report as a source of moderate assurance regarding the effective and efficient achievement of the organisation's objectives and the management of key risks.
- 15.9.3 The Committee noted that Internal Audit had concluded that there were sufficient arrangements were in place, in the areas Internal Audit has reviewed, to promote value for money and secure regularity and propriety in the administration and operation of NHS Lothian controls.
- 15.10 NHS Lothian Internal Audit update papers for June Audit and Risk Committee – Future Internal Audit Delivery Model – Ms Brown presented the previously circulated report and set out the changes in the delivery model for provision of the internal audit service going forward.
- 15.10.1 Mr Marriott confirmed that he was assured that the proposed outsourced model would allow the internal audit team to fulfil the 2022/23 Internal Audit Plan.
- 15.10.2 The Committee noted and approved the new outsourced model and the agreed fee for 2022/23.
- 15.11 Internal Audit Plan 2022/23 – Mr Clark presented the previously circulated report.
- 15.11.1 The Committee discussed the rationale behind the audit of Microsoft 365. Mr Marriott highlighted that Microsoft 365 had been pivotal during the pandemic and there had been significance financial investment in the implantation of the software. Therefore, it was important that the organisation understand how its functionality could be fully maximised going forward as part of the proposed audit.
- 15.11.2 The Committee discussed how the audit process could provide additional assurance around Serous Adverse Events, Duty of Candour and whether they could be linked to risk management and litigation processes. Mr Clark took an action to investigate whether this could be incorporated into a future internal audit plan and report back to the Committee.
- PC**
- 15.11.3 Mr Marriott and Mr Clark took an action to look at the non-financial controls that sit around Microsoft Office 365, specifically how staff access the systems and data available to them and whether this could be incorporated into the scope of the audit.
- PC/CM**

- 15.11.4 The Committee approved the internal audit plan for the period covering 1 April 2022 to 31st March 2023.

16. Counter Fraud Activity

- 16.1 Counter Fraud Activity for the year 1 April 2021 to 31 March 2022 - Mr Old presented the previously circulated report.
- 16.1.1 The Committee accepted the report as a summary of the counter fraud activity within the period covering 1 April 2021 and 31 March 2022.
- 16.1.2 The Committee accepted the report as a moderate level of assurance that the Board were raising awareness of the counter fraud strategy and policy through communications and training. Member noted that all cases of suspected fraud accounted for, and appropriate action had been taken.
- 16.1.3 The Committee accepted the report.

17. Corporate Governance

- 17.1 National Services Audit Reports 2021/22 – Mr Marriott presented the previously circulated report.
- 17.1.1 The Committee accepted these reports from the service auditors as a source of significant assurance and that there are adequate and effective systems of internal control relating to the National Single Instance financial ledger, practitioner services and the National IT Services contract.
- 17.2 SFR 18.0 - Schedule of Losses and payments for the year ended 31 March 2022 – Ms Notman presented the previously circulated report.
- 17.2.1 The Committee accepted this 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.

18. Edinburgh and Lothians Health Foundation Annual Report and Annual Accounts 2021/22

- 18.1 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.
- 18.2 The Committee accepted the report as a source of significant assurance that management have prepared the Annual Report and Financial Statements of the Foundation for 2021/22, Azets have carried out an external audit of the accounts and provided an unqualified opinion.

19. NHS Lothian Annual Accounts

- 19.1 Governance Statement – Mr Marriot presented the previously circulated report.

- 19.1.1 The Committee accepted the report as a significant source of assurance that the process to develop the Governance Statement was consistent with the associated instructions and good practice.
- 19.1.2 The Committee reviewed the report and the draft Governance Statement and did not identify any additional disclosures and agreed it should be included within the 2021/22 annual accounts.
- 19.2 Planning Performance & Development Committee Annual Report 2021/22 – The Committee accepted the Planning Performance & Development Annual Report 2021/22 as a source of assurance.
- 19.3 Finance and Resource Committee Annual Report 2021/22 – The Committee accepted the Finance and Resources Committee Annual Report 2021/22 as a source of assurance.
- 19.4 Staff Governance Committee Annual Report 2021/22 - The Committee accepted the Staff Governance Committee Annual Report 2021/22 as a source of assurance.
- 19.5 Healthcare Governance Committee Annual Report 2021/22 – The Committee accepted the Healthcare Governance Committee Annual Report 2021/22 as a source of assurance.
- 20. Azets: NHS Lothian Draft External Audit Report for the year to 31 March 2022**
- 20.1 Mr Brown gave an overview of the report highlighting how the report was collated, key findings and the audit certificate.
- 20.2 Mr Eardley advised that this was Azets 6 and final year as External Auditor for NHS Lothian, noting the final report would be forthcoming. He anticipated that they would provide an unqualified opinion subject to the completion of outstanding audit work.
- 20.3 The Chair thanked Mr Brown and Mr Eardley the comprehensive report and their support and hard work over the years that they had served on the Audit and Risk Committee.
- 20.4 The Committee accepted the report.
- 21. NHS Lothian Annual Accounts for the year ended 31 March 2021**
- 21.1 The Committee reviewed the draft Representation Letter to the external auditors, confirming that the statements represented confirmation to the external auditors on matters arising on during the course of their audit of the annual accounts for the year ended 31 March 2022, and agreed to recommend to the Board that the letter be signed by the Chief Executive of NHS Lothian.
- 22. Management Representation Letter**
- 22.1 The Committee reviewed the draft Representation Letter to the external auditors, confirming that the statements represented confirmation to the external auditors on matters arising on during the course of their audit of the annual accounts for the year ended 31 March 2022, and agreed to recommend to the Board that the letter be signed by the Chief Executive of NHS Lothian.

23. NHS Lothian Patients Private Funds Annual Accounts 2021/22

- 23.1 Mr Old presented the previously circulated report.
- 23.2 The Committee accepted the management letter from Azets as a source of assurance in relation to the draft annual accounts and the underlying systems of internal control.
- 23.3 The Committee agreed to recommend to the Board that the Chief Executive and the Director of Finance sign the “Statement of Lothian NHS Board Members’ Responsibilities” on behalf of the Board.
- 23.4 The Committee recommended 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).
- 23.5 The Committee recommended to the Board that the Board approve the draft Patients’ Private Funds accounts for the year ended 31 March 2022.

23. Committee Business

- 23.1 Audit and Risk Committee Annual Report and Assurance Statement to the Board 2021/22 – The Committee reviewed the draft report and advised that subject to the inclusion of the statement from the external auditors they were content to approve the annual report.
- 23.2 Notification to Scottish Government – Significant Issues – The Committee reviewed the letter of significant issues and approved it to be submitted.

24. Any Other Competent Business

- 24.1 There were no other items of competent business for consideration.

25. Reflections on the meeting

- 25.1 The Chair noted that there was nothing to report to the Board at this time.

26. Date of Next Meeting

- 26.1 The next meeting of the Audit and Risk Committee will be held on Monday 22nd August 2022 at 9.30 a.m. via Microsoft Teams.

Minutes Agreed by Committee 22/08/2022