

Audit and Risk Committee

Minutes of the Audit and Risk Committee meeting held at 9.30 am on Monday, 21 June 2021 via MS Teams.

Present:

Mr M. Connor (Chair), Non-Executive, Board Member; Ms K. Kasper, Non-Executive Board Member; and Mr P. Murray, Non-Executive Board Member.

In Attendance:

Ms K. Brooks, Internal Auditor; Mr C. Brown, Azets; Ms J. Bennett (Associate Director for Quality Improvement & Safety); Mr C. Campbell, Chief Executive; Mr J. Crombie, Deputy Chief Executive; Ms S. Goldsmith, Director of Finance; Ms O. Notman, 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.

26. Minutes of the previous meeting held on 26 April 2021

- 26.1 The minutes of the meeting held on 26 April 2021 were accepted as an accurate record and approved.

27. Running Action Note

- 27.1 The committee noted the actions marked complete and those that were not due for consideration detailed within the report.
- 27.2 The committee accepted the running action note.

28. Corporate Risk Register

- 28.1 Ms Bennett spoke to the previously circulated report. She drew the committee's attention to the review of the Corporate Risk Register and the rationale for the review of individual risks. All of the risks to be reviewed had now been reviewed with the exception of GP sustainability and Violence and Aggression.
- 28.2 The committee noted that the Corporate Management Team (CMT) will make recommendations to the June 2021 Board on a revised Corporate Risk Register in response to actions agreed at the April 2021 Board.
- 28.3 The committee noted the Risk Management Annual (2020/21) report is a separate paper on the agenda and Moderate assurance is recommended with respect to NHS Lothian's Risk Management System.
- 28.4 The Chair assured Mr Murray that he had advanced sight of the minutes of the 17th June 2021. Mr Murray's point in respect of the position of governance of contracts

for estates and procurement in the overall structure of NHS Lothian and its impact on the NHS Lothian Corporate Risk Register was recorded in the minutes of 17th June 2021. The Chair proposed that the matter be followed up at the next meeting.

JBen

28.5 The committee accepted the report.

29. Risk Management Annual Report 2020/21

29.1 Ms Bennett presented the previously circulated report. She drew the committee's attention to work on the Adverse Event Policy and Procedure and Risk Management Policy and Procedure that informed NHS Lothian's improvement programmes.

29.2 Ms Bennett advised the committee that the Board had consider processes relating to discharge from Hospital to Care Homes and sought advice from the CLO on this matter. She noted that should any litigation come to the Board there should be a clear process and audit trail of action taken.

29.3 Ms Kasper questioned how any learning from the serious adverse events and Duty of Candour conversations linked into local risk management processes and the local risk registers.

29.4 Ms Bennett highlighted that it was important to link triggers to subsequent improvement work. Ms Bennett drew the committee's attention to the analysis of postpartum haemorrhage within maternity service and how this is linked to the improvement work within the department. Ms Kasper noted that it would be good to see further examples of work to see the improvements made.

29.5 The Committee accepted moderate assurance that there are systems in place to manage risk across NHS Lothian and there is an improvement programme to further strengthen the risk system.

29.6 The committee noted that Healthcare Governance Committee in November 2020 and May 2021 accepted:

- 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 noted number and types of events reported
- Significant assurance on progress in implementing the statutory organisational Duty of Candour
- Moderate assurance from 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 2020.

29.7 The Committee noted that the annual internal audit review of risk management, which the Committee considered on 17 June, would be used to review NHS Lothian's Risk Management Policy and Procedure (October 2018).

29.8 The committee accepted the report.

30. Counter Fraud

- 30.1 Counter Fraud Activity for the year to 31 March 2021 – Mr Old spoke to the previously circulated Counter Fraud Activity report for the period to 31 March 2021. He noted that the report was the normal summary of activity over the last 12 months.
- 30.2 The committee accepted this report as a summary of the counter fraud activity within the year.
- 30.3 The Committee agreed that the report provides a moderate level of assurance that the board were raising the awareness of counter fraud strategy/policy through communications and training and all cases of suspected fraud were accounted for and appropriate action was taken.

31. Corporate Governance

- 31.1 National Services Audit Reports 2020/21 – Mr Marriott presented the previously circulated National Services Audit reports 2020/21. He noted that the report focused on three service level audits, namely, financial ledger, IT services and practitioners and counter fraud services.
- 31.1.1 The committee noted that NHS National Services Scotland had undertaken a significant programme of work. Mr Marriott explained that there was a qualified opinion for the payroll system in 2019/20 and in 2020/21 it was unqualified. However there was a qualified opinion on the systems for payments to primary care contractors at this time.
- 31.1.2 Mr Marriott explained that the NSS Director of Finance's letter summarises action taken since April 2021 following the receipt of the qualified opinion. The NHS National Services Scotland Audit & Risk Committee concluded that the additional work undertaken mitigated the risk of material financial misstatement. Mr Marriott highlighted that a 'qualified' opinion was given when there were some exceptions, which was different from an 'adverse opinion' (controls are absent or failed).
- 31.1.3 Ms Goldsmith advised that emerging Covid issues and the size of the lists within Primary Care had been flagged to Scottish Government. She noted that the Board had no confidence in the out of date information held and the mechanism used to review and reconcile the lists. Ms Goldsmith anticipated that this could be addressed as part of the development of the new GP contract.
- 31.1.4 The committee discussed the impact of moving from face to face consultations to a virtual system, the likelihood that this would continue after the pandemic and whether it would have an impact on list sizes. Members awaited the outcome of a further review by NSS. Mr Marriott would keep the committee apprised of the position going forward. **CM**
- 31.1.4 The committee accepted these reports from the service auditors as a source of significant assurance that there were adequate and effective systems of internal control relating to the National IT Services and the National Single Instance Financial Ledger, and a source of moderate assurance with respect to Practitioner and Counter Fraud Services Non Covid payments.
- 31.2 SFR 18.0 – summary of losses and payments for the year ended 31 March 2021 – Ms Goldsmith introduced the previously circulated paper.

- 31.2.1 Ms Notman explained that the increase in legal fees was due to the Board winning a case the previous year. She noted that if the Board had not been successful the level of legal fees for the year would have been similar to that seen in 2020/21.
- 31.2.2 Members discussed the continued issues around the timely notification of changes to employee status which results in staff overpayment. Finance would continue to work on this with line managers to ensure that a proactive approach is taken and mitigates the need to reclaim funds going forward.
- 31.2.3 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 were continually reviewing and evaluating changes to improve those systems.
- 31.3 Edinburgh & Lothian's Health Foundation Annual Report and Accounts 2020/21 - 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.
- 31.3.1 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 2020/21, Azets (formerly Scott Moncrieff) have carried out an external audit of the accounts and have provided an unqualified audit opinion.

s32. NHS Lothian Annual Accounts 2020/21

32.1 Governance Statement

- 32.1.1 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.
- 32.1.2 The Committee reviewed the Governance Statement, did not identify any further required disclosures, and agreed it should be included in the annual accounts..
- 32.1.3 Mr Murray questioned how strategic planning processes and the Corporate Risk Register links to the Governance Statement and how this could be demonstrated. Mr Payne advised that the Risk Register informs the drafting of the Governance Statement. In addition there had been substantial work to reframe the process that supports the development of strategies and support the development of the Finance and Resources Committee terms of reference and create a new Planning Performance & Development Committee (PPDC).
- 32.1.4 Ms Bennett advised the committee that the Corporate Risk Register had been shared with Mr Briggs to provide context to the conversation around the development of the PPDC. She also assured members that national standards were at the heart of strategic development within the organisation.
- 32.1.5 Mr Murray commented that the he was surprised that Healthcare Governance Committee had not flagged dentistry as a clear issue within their annual report, given the current position in Lothian. The Chair agreed to refer the matter with Chair of the Healthcare Governance Committee, however the Committee agreed there was no need to amend the Governance Statement.

MC

33. Management Representation Letter

- 33.1 The Committee reviewed the draft Representation Letter to the external auditors, confirming that the statements represented confirmation to the external auditors on matters arising during the course of their audit of the accounts for the year ended 31 March 2021, and agreed to recommend to the Board that the letter be signed by the Chief Executive of NHS Lothian.

34. Azets: NHS Lothian Draft External Audit Report for the year to 31 March 2021

- 34.1 Mr Brown gave an overview of the report highlighting how the report was collated, key findings and the audit certificate. He explained that key issues related to Personal Protective Equipment and testing kits and a change to the accounting treatment during the course of the audit. He explained that there had been significant delays in agreeing the accounting treatment with the Scottish Government and the provision of relevant cost estimates. NHS Lothian had recognised the implications that this had on the financial statements. Audit Scotland were reviewing the methodology and systems used to identify the estimated costs to provide assurances to NHS Boards and their auditors. The outcome of the Audit Scotland was awaited.
- 34.2 Members noted that the uncertainty around accounting policies would not impact on the Board's financial position or the overall audit opinion. Mr Brown assured the committee that standard operating procedures allow for the process to continue whilst allowing the Board to approve the accounts.
- 34.3 The Committee discussed the capital accrual for £508k that relates to a dispute with a public sector partner. They noted that the initial value of the of the transaction was £324k, with the Board accruing interest that reflects a potential late payment charge. Members noted that Mr Marriott and his team would take the appropriate steps to resolve this dispute to ensure that the matter was resolved.
- 34.4 Mr Brown advised the Committee that the report provided an unqualified opinion subject to the recognition of personal protective equipment and kits procured in NSS during 2020/21, events subsequent to the balance sheet, review of the revised accounts, matter relating to outstanding audit and final checks and review.
- 34.5 The committee accepted the report.

35. NHS Lothian Annual Accounts for Year End 31 March 2021

- 35.1 The Committee reviewed the draft Annual Accounts for the year ended 31st March 2021.
- 35.2 The committee agreed to recommend to the Board that they adopt the Annual Accounts for the year ended 31st March 2021 and recommend to the Board to authorise the designated signatories to sign the accounts on behalf of the Board.
- 35.3 The Committee approved the proposed arrangements for resolution of minor matters in relation to the accounts, including resolution of the PPE accounting adjustments, and up to the date of submission to the Scottish Government Health and Social Care Directorate
- 35.4 The Committee noted that the accounts would not be in the public domain until they were adopted by Parliament later in the year.

36. Patients Private Funds Annual Accounts 2021

- 36.1 Ms Goldsmith presented the previously circulated paper.
- 36.2 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.
- 36.3 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.
- 36.4 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).
- 36.5 The Committee recommended to the Board that the Board approve the draft Patients’ Private Funds accounts for the year ended 31 March 2021.

37. Audit Committee Annual Report and Assurance Statement 2020/21

- 37.1 The Committee reviewed the draft report, and specifically considered whether the following sentence (from Section 1) was appropriate:
- “At its meeting of 21 June 2021, 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.”*
- 37.2 The Committee confirmed that the above sentence was appropriate and agreed to approve the annual report.

38. Notification to Scottish Government – Significant Issues

- 38.1 The committee reviewed the letter and approved the response to the annual notification to Scottish Government of Significant Issues.

39. Any Other Competent Business

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

40. Reflections on the meeting

- 40.1 The chair noted that he had nothing to flag at the Board from the discussion at 17th and 21st June 2021 meetings. He acknowledged the discussions around the estates and consort issues, and these would be taken forward at the August meeting of the Audit and Risk Committee.

41. Date of Next Meeting

- 41.1. The next meeting of the Audit and Risk Committee will be held on Monday 23rd August 2021 at 9.30 a.m. via Microsoft Teams.

Signed by the Chair
23-08-2021