

NHS Lothian

Audit and Risk Committee

Minutes of the Audit and Risk Committee meeting held at 9.30 am on Monday, 17 June 2024 via MS Teams and in Meeting Rooms 8 & 9 Waverley Gate.

Present: Mr M. Connor (Chair), Non-Executive Board Member; Mr J. Blazeby, Non-Executive Board Member; Councillor H. Cartmill, Non-Executive Board Member.

In Attendance: Ms L. Allen, Assistant Finance Manager; Ms J. Gillies Associate Director for Quality Improvement & Safety; Mr J. Crombie, Interim Chief Executive; Ms C. Grant, Audit Scotland; Mr C. Marriott, Director of Finance; Ms E. Mayne, Grant Thornton; Mr A. McCreadie, Deputy Director of Finance; Ms H. McKellar, Grant Thornton; Ms O. Notman, Head of Financial Services; Mr S. Nugent, Audit Scotland; Mr J. Old, Financial Controller; Mr D. Thompson, Board Secretary; and Miss L. Baird, Committee Administrator.

Apologies: Ms K. Kasper, Non-Executive Board Member; Councillor S. Jenkinson, 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.

Welcomes and Introductions

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

11. Minutes of the previous meeting held on 15 April 2024

- 11.1 The minutes of the meeting held on 15 April 2024 were accepted as an accurate record and approved.

12. Running Action Note

- 12.1 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.
- 12.2 Internal Audit Complaints Handling – There would be no further update on Complaints Handling and the action closed off.
- 12.3 Counter Fraud Activity – A further communication to staff to draw attention to the training material on counter fraud and improved compliance to CFS was discussed and a targeted approach agreed. It was agreed that no further action was required, and the action on would be closed off.
- 12.4 The Committee accepted the running action note and the information therein.

13. Risk Management

- 13.1 Corporate Risk Register – The previously circulated report on the NHS Lothian's Corporate Risk Register (CRR) and associated processes was received.
- 13.1.1 The Committee noted the summary from the March and April 2024 updates provided by the Executive Leads concerning risk mitigation.
- 13.1.2 It was noted that the updates provided by the Executive Leads take into consideration the action agreed at the CMT meeting of 27th February 2024, to increase specificity separate risks where necessary and determine risk grading in the context of the current financial constraints.
- 13.1.3 The Committee noted that the increase in the grading of risk 5784 – Inappropriate and Inadequate Low Secure Accommodation in the Estate from 15 to 20 and 5737 - RIE Fire Safety from 20 to 25.
- 13.1.4 The Committee noted the overview of changes in the CRR over the past two calendar years.
- 13.1.5 It was noted that any new or materially worsening risk would be presented to the Strategic Planning and Performance Committee (SPPC) prior to submission to the Board.
- 13.1.6 Attention was drawn to recent press around the Princess Alexandra Eye Pavilion (PAEP) and speculation around building a replacement. Members received assurance that the Board was in regular dialog with Scottish Government and had been clear in relation to the prioritisation of the capital programme and those that currently appear above the PAEP.
- 13.1.7 The Committee accepted the report subject to the Interim Chief Executive reviewing 5737 - RIE Fire Safety risk rating to determine whether it should be increased and reporting back via the August CRR report. **JC/JG**
- 13.2 Litigation Annual Report 2023/24 - The previously circulated report that provided assurance on the management of litigation process within in NHS Lothian was received and attention was drawn to the key points within the report.
- 13.2.1 The report did not immediately draw the Committee's attention to trends or hots spots in litigation over 2023/24. The Committee requested that the Interim Chief Executive requests that Patient Safety and Experience Action Group (PSEAG) review the paper and identify any emerging trends and patient safety issued and bring them forward to Healthcare Governance Committee. **JC**
- 13.2.2 Members accepted the report as an update on ligation processed and activity in terms of numbers, financial impact and recurring themes.
- 13.2.3 The Committee accepted the report as a source of moderate assurance for the effectiveness of the processes and adherence to expected standards regarding the litigation process, and of evidence of learning after cases are closed based on programmes of work in place to improve management of and the response to adverse events. It should, however, be 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.

- 13.3 Management of NHS Lothian Cyber Security Risk – The previously circulate report set out the risk mitigation plan to manage the Cyber Security Risk (#5322) on the Corporate Risk Register (CRR) was received.
- 13.3.1 Attention was drawn to the significant work undertaken by Ms McKinley and her team to address the ongoing challenge around cyber security and the vigilance and expertise required to ensure that the Board's system remain secure.
- 13.3.2 The Committee discussed the increasing number of digital tools used to access clinical systems for which NHS Lothian maintains a full IT security check and the frustration experienced by clinicians when the implementation of these tools are delayed due to the volume and capacity to perform these checks. Members recognised the frustration of clinical colleagues but agreed to maintain the existing level of scrutiny and risk appetite held in Lothian and look for alternative mechanisms to speed up the process where possible.
- 13.3.3 The Committee noted the progress and implementation of the risk mitigation plan.
- 13.3.4 The Committee accepted the report as a source of moderate assurance on the risk mitigation plan.
- 13.3.5 The Committee noted that this update proceeds 2024 NISR final audit outcome.

14. Internal Audit

- 14.1 Internal Audit Waiting Times Governance Regulation Review – The Internal Audit of Waiting Times Governance Regulations had identified two low findings and had been awarded an overall rating of significant.
- 14.1.1 The Committee accepted the report.
- 14.2 Internal Audit Backlog Maintenance (May 2024) – The Internal Audit of Backlog Maintenance had identified six medium findings across three areas with an overall rating of moderate.
- 14.2.1 Attention was drawn to the risks within the context of the reduced national funding and ensuring that the process are robust in terms of prioritisation, cost management and completion verification where medium risks had been identified and action was required.
- 14.2.2 The Committee accepted the report.
- 14.3 Financial Sustainability Review (April 2024) – The Internal Audit of Financial Sustainability had identified 3 low with an overall rating of significant.
- 14.3.1 The Committee accepted the report and extended their appreciation to Mr McCreadie and his team for the support they had provided to Internal Audit.

- 14.4 Internal Audit Annual Report and Opinion 2023/24 - the previously circulated report was received. The report summarised the work that had been undertaken by Internal Audit throughout the year and provided the annual internal audit opinion.
- 14.4.1 The Head of Internal Audit drew the Committee's attention to her opinion for the period 1 April 2023 to 31 March 2024, that based in the scope of reviews undertaken and the sample tests completed during the period, moderate assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 14.4.2 The Committee accepted the report, noting that the Internal Audit had concluded that there were sufficient arrangements in place, in the areas Internal Audit had reviewed, to promote value for money and secure regularity and propriety in the administration and operation of NHS Lothian controls.
- 14.5 Internal Audit Plan 2024/2025 - The previously circulated report that outlined the audit programme for 2024/25 was received. Since the April Meeting an additional review on financial control and donation had been added to the plan and a contingency of 43 days agreed.
- 14.5.1 The Committee received assurances that the proposed contingency of 43 days would be reviewed and allocated throughout the year as issues emerge.
- 14.5.2 The Committee accepted the Internal Audit Plan for 2024/25
- 14.6 Internal Audit Progress Report (June 2024) – the previously circulated report was received. Since the April Meeting Internal Audit had delivered 25.5 days of 128 days approved for quarter one (Q1) and the financial control expenditure review had been moved from Q1 to later in the financial year.
- 14.6.1 The Committee accepted the report.
- 14.7 Internal Audit Recommendation Tracker Report (June 2024) – The previously circulated report was presented. The report outlined work that Internal Audit had done in respect of the long standing actions that had not been implemented within their allotted timeframes.
- 14.7.1 It was noted that since April management had implemented 29 actions. Grant Thornton continued to track 46 open recommendations, of which 29 actions are currently overdue.
- 14.7.2 It was noted that the actions relating to the Integrated Joint Board were complete and could be closed off.
- 14.7.3 Mr Marriott and Mr Crombie took an action to bring the outstanding actions to the attention of the Corporate Management Team and request that the Executives ensure that they are concluded within the described timeframes. **JC/CM**
- 14.7.4 The Committee accepted the report.

14.8 Internal Audit Property Transactions – the previously circulated report was received. The Internal Audit of Property Transactions had 2 low recommendations with an overall assurance rating of significant.

14.8.1 The Committee accepted the report.

15. Counter Fraud Activity

15.1 Counter Fraud Activity for the year 1 April 2023 to 31 March 2024 – The Committee received a verbal overview of the previously circulated paper.

15.2 The Committee accepted the report provided a moderate level of assurance that the Board has raised the awareness of counter fraud strategy/ policy through communications and training and all cases of suspected fraud are accounted for and appropriate action is taken.

15.3 The report did not provide the percentage of the completion for counter fraud training. Mr Old agreed to include the percentage of staff who had completed counter fraud training in future reports. **JO**

15.4 The Committee accepted the report as a summary of counter fraud activity in the year.

16. Corporate Governance

16.1 SFR18.0 – Summary of Losses and payments for the year ended 31 March 2024 – the report that summarised the losses and compensations payments incurred throughout 2023/24 was received.

16.1.1 The Committee accepted the report as a source of significant assurance that the Board had 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.

16.2 Best Value Framework – Update for 2023/24 – The report that provided the Committee with oversight of the arrangements in place to support the ambitions of Best Value, as set out in the Scottish Public Finance Manual was received.

16.2.1 The Committee considered the significant range of governance and management arrangements in place that, collectively support the characteristics of best value within NHS Lothian.

16.2.2 The Committee accepted that the report provided moderate assurance on the based on the framework, that NHS Lothian is able to demonstrate fulfilment of its best value duty, as set out in the Scottish Public Finance Manual.

16.3 National Services Audit Reports 2023/24 – The previously circulated report that provided the Committee with assurance that the systems of control managed by NHS NSS and NHS Ayrshire and Arran on the Board's behalf was received.

16.3.1 An assurance gap from the previous year highlighted by Audit Scotland was noted. They had identified that none of the audit reports consider the general IT controls, controls that support the e-Financial and disaster recovery systems. Audit Scotland recommended that

all Scottish Boards request that Ayrshire and Arran and NSS work together to resolve this matter. Mr Marriott and Ms Grant agreed to pick this matter up out with the meeting and determine how they could influence Ayrshire and Arran and NSS to move towards a resolution. **CG/CM**

- 16.3.2 The Committee accepted these reports from the service auditor as a source of significant assurance that there are adequate and effective systems of internal control relating to the National Single Instance financial ledger, payroll, practitioner services and the National IT Services contract.
- 16.4 Fines for Health and Safety Offences – the previously circulated report that updated the Committee on the prosecution and subsequent fines that concerns contraventions of criminal law with the respect to health and safety was received.
- 16.4.1 The Committee approved the completed form, category 7 ex gratia payments including medical and clinical negligence and person injury claims.
- 16.5 NHS Lothian Charity Annual Report and Financial Statements year ended 31 March 2024 – the previously circulated report that provided the Committee with assurance that the Annual Report and Financial Statements of the NHS Lothian Charity for the year ended 31 March 2024 have been prepared and audited was received.
- 16.5.1 The Committee accepted the report as a source of significant assurance that management have prepares the Annual Report and Financial Statements of the Charity for 2023/24, CT have carried out an external audit of the financial statements and have provided an unqualified audit opinion.

17. Annual Accounts

- 17.1 Governance Statement – The Committee received a brief overview on the Governance Statement, its purpose and how it was collated.
- 17.1.1 Attention was drawn to the areas of the statement that were incomplete or draft within the Governance Statement that anticipated discussions that would take place around the service audits at the June Committee Meeting. There were concerns that the draft wording was ambiguous. Ms Grant agreed to provide a suitable form of words to include in the report prior to its submission to the Board. **CG**
- 17.1.2 It was noted that although the NSS Audit of Payroll had been considered by committee in April with the distinction that it was looking at activity undertaken within the previous financial year, there was some concern around the draft wording and whether assurance had been provided for the year. Ms Grant and Mr Nugent would consider this section of the statement and provide suitable form of words to replace the current wording. **CG/SN**
- 17.1.3 Mr Thompson agreed to reflect on the wording drawn from the Head of Internal Audit's Opinion and whether it was required to state that the number of recommendations would increase due to the volume of reviews undertaken within the year and amend if necessary. **DT**
- 17.1.4 The Committee accepted the paper as a source of significant assurance that the process to develop the Governance Statement is consistent with the associated instructions and good practice.

- 17.1.5 Members reviewed the draft Governance Statement and considered whether any additional disclosure were required.
- 17.1.6 The Committee approved the Governance Statement for inclusion in the 2023/24 accounts subject to the revisions proposed.
- 17.1.7 Strategy, Planning & Performance Committee Annual Report 2023/24 – The Committee accepted the Strategy, Planning & Performance & Development Annual Report 2023/24 as a source of assurance.
- 17.1.8 Finance and Resource Committee Annual Report 2023/24 – The Committee accepted the Finance and Resources Committee Annual Report 2023/24 as a source of assurance.
- 17.1.9 Staff Governance Committee Annual Report 2023/24 - The Committee accepted the Staff Governance Committee Annual Report 2023/24 as a source of assurance.
- 17.1.10 Healthcare Governance Committee Annual Report 2023/24 – The Committee accepted the Healthcare Governance Committee Annual Report 2023/24 as a source of assurance.
- 18. Audit Scotland: Cover letter and NHS Lothian Draft External Audit Report for the year to 31 March 2024**
 - 18.1 The Committee received a brief overview, highlighting how the cover letter and report was prepared, key findings and unmodified opinion therein.
 - 18.2 The External Auditor received confirmation from those charged with governance that there had been no instances of any actual, suspected, or alleged fraud; any subsequent events that had occurred since the date of the financial statements, or material non-compliance with laws and regulations affecting the entity that should have been brought to their attention.
 - 18.3 It was noted that several outstanding items listed within the cover letter would be concluded in the next couple of weeks. These would be addressed through updating the narrative of the Annual Report. Any changes made to the Annual Report would not affect the opinion provided and the External Auditors were comfortable that the Audit and Risk Committee take the External Audit Report along with the Annual Accounts to the Board in June 2024.
 - 18.4 The Committee accepted the report and thanked the External Auditors and Finance Team for the comprehensive report.
- 19. NHS Lothian Annual Accounts for the year ended 31 March 2024**
 - 19.1 The previously circulated accounts were presented.
 - 19.1.1 The Committee reviewed the draft Annual Accounts for the year ended 31st March 2024.

- 19.1.2 The Committee recommended that:
- the Board that they adopt the Annual Accounts for the year ended 31st March 2024.
 - the Board to authorise the designated signatories (Interim Chief Executive and Director of Finance) to sign the Accounts on behalf of the Board, where indicated in the document.
- 19.1.3 The Committee note that the accounts are not in the public domain until they are adopted by Parliament later in the year.
- 19.2 Management Representation Letter – The Committee reviewed the draft Representation Letter to the External Auditors.
- 19.1.2 The Committee agreed that the statements properly represent confirmation to the External Auditors on matters arising during the course of their audit of the annual accounts for the year ended 31 March 2024. Members also agreed that the letter be adopted for the Interim Chief Executive to sign as Accountable Officer of the Board.
- 20. NHS Lothian Patients' Private Funds Annual Accounts 2023/24**
- 20.1 The previously circulated report was presented.
- 20.2 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.
- 20.3 The Committee agreed to recommend to the Board that the Interim Chief executive and the Director of Finance sign the "Statement of Lothian NHS Board Members' Responsibilities" on behalf of the Board.
- 20.4 The Committee agreed to recommend to the Bord that following the Board's consideration, the Director of Finance and the Interim Chief Executive sign the "Abstract of receipts and Payments" (SRFS 19.0).
- 20.5 The Committee agreed to recommend to the Bord that they approve the draft Patients' Private Funds accounts for the year ended 31 March 2024.
- 21. Committee Business**
- 21.1 Results from the Committee Member Survey – The Committee reflected on the results of the survey and noted that only 3 members had replied. It was noted that one member was new to the Committee and therefore could not comment on past activity. Members agreed to accept the survey and the positive outcomes therein and look for further feedback from members in 2024/25.
- 21.2 Audit and Risk Committee Annual Report and Assurance Statement to the Board 2023/24 – The Committee reviewed its Annual Report for 2023/24, noting that it had been prepared in line with the Scottish Government's Audit and Assurance Committee Handbook.

21.2.1 The Committee approved its 2023/24 Annual Report for submission to the Board.

22. Any Other Competent Business

22.1 There were no other items of competent business for consideration.

23. Reflections on the meeting

23.1 The Committee welcomed the detailed discussions held. There were no other matters to raise with the Board with the exception of the annual accounts and assurance documents and request that PSEAG review the Litigation Annual Report 2023/24 and identify any emerging trends and patient safety issues and bring them forward to Healthcare Governance Committee.

24. Date of Next Meeting

24.1 The next meeting of the Audit and Risk Committee will be held on Monday 19 August 2024 at 9.30 a.m. via Microsoft Teams.

Signed by Chair
19 August 2024