

**Minutes of a Meeting of the
Audit Committee
held in Board Room 1,
Dalian House, 350 St Vincent Street, Glasgow,
on Tuesday, 27 March 2007 at 9.15 a.m.**

PRESENT

Mrs E Smith (Chair)
Cllr R Duncan
Mrs S Kuenssberg CBE (to Minute 21)
Mr D Sime
Mrs A Stewart MBE

IN ATTENDANCE

Mr D Griffin	Director of Finance
Mr J C Hamilton	Head of Board Administration
Mr J Hobson	Head of Finance - Corporate Reporting and Audit
Mr A Lindsay	Financial Governance and Audit Manager
Dr B Cowan	Medical Director (Minute 1 – 2)
Mr A Crawford	Head of Clinical Governance (Minute 1 – 2)
Mr A Dorn	Head of Civil Contingencies Planning (Minute 1 – 3)
Mr C D Revie	PricewaterhouseCoopers
Mr A Gray	PricewaterhouseCoopers
Ms S Caldwell	PricewaterhouseCoopers
Mr M White	PricewaterhouseCoopers
Mr D McConnell	Audit Scotland
Mr J Rundell	Audit Scotland

ACTION BY

10 APOLOGIES

Apologies were intimated on behalf of Dr R Groden, Mr P Hamilton, Cllr J Handibode and Mr A O Robertson.

11 RISK MANAGEMENT ARRANGEMENTS

A report of the Head of Clinical Governance (Audit Paper 07/05) was presented asking Members to

- approve the Draft Risk Management Strategy;
- approve the Draft Risk Register Policy;
- approve the proposed approach to the reporting of corporate risks;
- consider a summary report on Corporate Risks.

The Head of Clinical Governance explained that the Draft Risk Management Strategy was based on the Risk Management Strategy approved by the NHS Board in March 2005. The principal change was in respect of the diagram on page 8 of the Draft Strategy showing the revised reporting structure and responsibilities. The Draft Strategy also highlighted the relationship of risk management with the arrangements for performance management and emphasised the continuing links to the governance committees of the NHS Board. If approved by the Audit Committee, the Draft Risk Management Strategy would be presented to the NHS Board for approval as part of the annual review of the corporate governance arrangements.

The Head of Clinical Governance explained that the Draft Risk Register Policy had been approved by the Risk Management Steering Group and consolidated existing documents, encapsulated best practice across the organisation and described the risk register process including the principles of escalation. Not all parts of the organisation had developed robust risk registers and to help achieve consistent standards and processes across the organisation, a web-based software package was being procured. In addition to supporting risk management, the software package would assist with the management of claims and incident reporting. Additional benefits included better feedback to users and the ability to gain a corporate view of process levels and activity. In response to questions from Mrs Stewart and Mrs Smith, the Head of Clinical Governance explained that the software package being procured was already being used successfully in twelve other NHS Boards in Scotland. The Medical Director commented that from a clinical perspective, by providing an effective and easy to use tool, the proposed software package would assist in encouraging the reporting of incidents. The Head of Clinical Governance explained that if approved by the Audit Committee, the Draft Risk Register Policy would be issued throughout the organisation.

The Head of Clinical Governance described the approach to the reporting of Corporate Risks that had been approved by the Risk Management Steering Group. The scale of such a document, together with the resources required to maintain it, meant that a Corporate Risk Register in the traditional format was not the most appropriate solution for NHS Greater Glasgow and Clyde. A Corporate Risk Register must be aligned to the Corporate Objectives and a process already existed for managing performance against these Corporate Objectives. These performance management arrangements were still evolving but already delivered quarterly reports to the Performance Review Group. This reporting process contained a formally recorded assessment, analysis and action plan for objectives that were not progressing as anticipated. This mechanism could be considered as equivalent to risk register management for the corporate objectives and would capture approximately 80% of the content that would populate a corporate risk register. The remaining risks outwith this process could be captured separately for example, those relating to Business Continuity and Emergency Planning. Operational risks would largely be contained within the relevant element of the organisation and the escalation policy contained within the Risk Register Policy would allow for relevant matters to emerge at corporate level.

To provide the assurance that would be delivered by a Corporate Risk Register, it was proposed to provide a quarterly report to the Chief Executive. This report would be compiled from the Performance Management arrangements, Escalation Policy, operational risk registers held throughout the organisation and the business continuity and contingency planning process. This report to the Chief Executive would also be shared with the Audit Committee and other governance committees concerned with risk. In response to a question from Mrs Kuenssberg, the Head of Clinical Governance explained that the proposed method of reporting would allow major risks to be visible to Non executive Directors. Replying to questions from Mrs Smith and Mr Sime, the Head of Clinical Governance confirmed that the proposed reporting process would encompass both clinical and non-clinical risks and that the Chief Executive retained overall responsibility for the management of risk.

The Head of Clinical Governance presented a report that summarised the key risks facing NHS Greater Glasgow and Clyde. This report had been compiled from a range of organisational areas and themes. Each organisational area had been invited to provide a summary of the 5 key risks that they faced. The report tabled was based on the information provided to date; some areas were finalising their return, specifically Human Resources, Health Information and Technology and Community Health and Care Partnerships. The Head of Clinical Governance reported that he was working with management in each of the areas to finalise their assessment of risk.

The Head of Clinical Governance presented a summary of the risks identified in each of the following organisational areas.

- Directorate of Finance;
- Acute Services Division;
- Acute Services Strategy Implementation and Planning;
- Mental Health Partnership;
- Directorate of Public Health;
- Communications Directorate.

The Director of Finance - Corporate and Partnerships commented that this was an interim report with further work ongoing to finalise the process and achieve commonality while recognising the different sizes and characters of the organisational areas. The interim report however was sufficiently robust to provide assurance to the Audit Committee that risks had been identified and assessed. It was agreed that a further report on corporate risks be presented to the meeting of the Audit Committee on 11 September 2007.

**Head of Clinical
Governance**

Replying to questions from Mrs Smith, the Head of Clinical Governance explained that staff engagement with the Risk Register Policy was good at senior levels but more formal training was required and would be delivered at lower levels and that a training package had been devised by the specialist risk managers within NHS Greater Glasgow and Clyde.

The Convener thanked the Medical Director and the Head of Clinical Governance for their presentation.

Mr Gray (PricewaterhouseCoopers) described the work undertaken by the internal auditors in respect of risk management. This work had centred on the operational arrangements primarily within the Acute Services Division focusing on four sample directorates. While the achievement of consistency would be a challenge, the internal auditors noted that good practice had been carried forward through the transition to the new organisational arrangements and that good support had been provided by the Head of Clinical Governance and his team.

DECIDED:

- (i) That the Risk Register Policy be approved and issued;
- (ii) That the Risk Management Strategy be approved for submission to the NHS Board as part of the annual review of Corporate Governance;
- (iii) That the proposed approach to the reporting of corporate risks was approved;
- (iv) That the summary report on corporate risks was approved.

**Head of Clinical
Governance**

12 INTERNAL AUDIT REPORT: BUSINESS CONTINUITY AND EMERGENCY PLANNING – CIVIL CONTINGENCY ACT

A report of PricewaterhouseCoopers (Audit Paper No 07/06) was presented asking Members to note the findings of the internal audit review of the NHS Board's arrangements for Business Continuity and Emergency Planning with particular reference to the Civil Contingency Act 2004. Mr White (PricewaterhouseCoopers) described how the internal audit had been undertaken against the background of a review by NHS Greater Glasgow and Clyde of its emergency planning procedures and its compliance with the Civil Contingency Act 2004. The principle finding from the audit related to the need to complete the establishment of the Sector Based Groups which would support the Acute Division Civil Contingencies Planning Group in implementing the requirements of the Civil Contingency Act 2004.

The Head of Civil Contingencies Planning delivered a presentation which described the following matters.

The Work of the Civil Contingencies Planning Unit

A number of emergency planning exercises had been carried out during the year including and the most significant (such as Exercise Cutty Sark) were summarised by the Head of Civil Contingencies Planning.

The Civil Contingencies Act 2004

The NHS Board's responsibilities under the Act were described including risk assessment, emergency planning, business continuity planning and warning and informing the public.

On-going Aims

It was intended to have all business continuity plans available on the NHS Board's Intranet, to exercise hospital plans and to continue to develop business continuity plans.

The Convener thanked the Head of Contingencies Planning for his presentation.

Replying to a question from Mrs Smith, Mr Gray (Pricewaterhouse Coopers) described how the Action Plan contained within the internal audit report had been agreed with management and that this would be subject to agreed follow up procedures. In response to questions from Mrs Kuenssberg and Mrs Stewart, the Head of Civil Contingencies Planning described the action being taken to address the recommendations within the Action Plan in respect of holding copies of contingency plans and ensuring plans were up to date.

NOTED

13 MINUTES

On the motion of Mrs Stewart, seconded by Cllr Duncan, the Minutes of the meeting on 19 January 2007 [A (M) 07/01] were approved as a correct record and signed by the Convener.

14 MATTERS ARISING FROM THE MINUTES

Responding to a question from Mrs Stewart in respect of Minute 5, the Head of Board Administration explained that a register of PFI contracts was being compiled on the Board's website.

15 EXTERNAL AUDIT PROGRESS REPORT

A report of Audit Scotland (Audit Paper No 07/07) was presented describing progress against each of the streams of work being undertaken as part of the audit of the annual accounts 2006/2007. Mr Rundell (Audit Scotland) summarised the key elements of the external audit programme of work.

The Audit Risk Analysis and Plan (ARAP) set out the key risks and challenges facing the NHS Board, the action being taken by management to address these and the main external audit outputs for the year. The ARAP had been considered in detail by the Audit Committee at the meeting on 19 January 2007 (Minute 3 refers).

In accordance with the Audit Scotland Code of Audit Practice, the adequacy, strengths and weaknesses of the internal audit function had been reviewed and assessed. The results of the review were satisfactory and on that basis, the external auditors had been able to determine those areas where they could place formal reliance on the work of internal audit.

A high level review of Health Information and Technology was being undertaken involving the use of questionnaires and attendance at management meetings. A full report would be presented to the next meeting of the Audit Committee when the Director of Health Information and Technology would attend.

Audit Scotland
Director of Health
Information and
Technology

The Financial Statements Strategy was the key planning document for the financial statements audit and had been agreed with management.

Two audit reviews were also included in the 2006/2007 programme of work. These were a analysis of the Board's financial position and financial management arrangements and a review of partnership arrangements. The latter review would be facilitated by Audit Scotland's position as the external auditors of the main local authority partners of NHS Greater Glasgow and Clyde.

Audit Scotland also had a statutory role to monitor the Board's progress in implementing the National Fraud Initiative and were required to comment on this in their annual report.

Mr Rundell concluded by referring to the programme of National Studies which were described in detail in the Audit Paper No 07/08.

NOTED

16 AUDIT SCOTLAND: PROGRAMME OF PERFORMANCE AUDITS 2007/2008

A report of Audit Scotland (Audit Paper No 07/08) was presented describing the programme of performance audits for 2007/2008. Mr McConnell (Audit Scotland) explained that the programme took account of the views expressed by the Scottish Parliament and the Scottish Executive in addition to the opinions gathered during the consultation process in 2006. As part of this consultation, the Audit Committee and Members of the Performance Review Group had provided comments. The programme for health included Primary Care out-of hours services, NHS performance and financial review, palliative care, General Medical Services contract, diagnostic services, asset management, NHS financial overview and a follow up report on using medicines in hospital.

NOTED

17 INTERNAL AUDIT PROGRESS REPORT

A report of PricewaterhouseCoopers (Audit Paper No 07/09) was presented describing progress against the Internal Audit Annual Plan and the key matters which had arisen from the internal audit work carried out in the period to March 2007.

Ms Caldwell (PricewaterhouseCoopers) described the work undertaken with the Director of Human Resources in respect of absence management including review of the current draft of the Absence Management Policy and summarised progress towards achieving the targets which had been set for absence levels. It was agreed that the Director of Human Resources should be invited to the September meeting of the Audit Committee to report on progress in respect of absence management.

**Director of Human
Resources**

Ms Caldwell summarised the main points to arise from the internal audit review of Pay Modernisation – Benefits Realisation. In compliance with the Scottish Executive Directive, both NHS Greater Glasgow and NHS Argyll and Clyde had submitted a Pay Modernisation Delivery Plan which set out how attainment of pay modernisation benefits would be measured against specific and timebound indicators. These plans had been merged and a joint update prepared and submitted to the Scottish Executive. A further

update was planned for March 2007 and PricewaterhouseCoopers undertook to assess and verify the progress outlined in the update and to report to the Audit and a subsequent meeting of the Audit Committee.

**Pricewaterhouse
Coopers**

Mr Gray (PricewaterhouseCoopers) described internal audit work in respect of the Adults with Incapacity (Scotland) Act 2000 Act (the Act). The key areas of work were to assist an initial working group which devised an action plan for the implementation the Act and to develop and assist pilot an integrated clinical governance and internal audit compliance programme.

Mr White (PricewaterhouseCoopers) summarised the findings from the internal audit review of Pharmacy stores and stock management. The main findings related to monthly stock reconciliations, continuous stock taking and the detailed process for the return of controlled drugs to the Pharmacy. An action plan had been agreed with management to address the issues raised in the internal audit report.

NOTED

18 INTERNAL AUDIT REPORT: COMMUNITY HEALTH AND CARE PARTNERSHIPS

A report of PricewaterhouseCoopers (Audit Paper No 07/10) was presented setting out the findings of an internal audit review of the governance arrangements in place in Community Health and Care Partnerships (CHCPs) and Community Health Partnerships (CHPs). Mr Revie (PricewaterhouseCoopers) explained that the report had been considered in full by the Audit Support Group – Corporate and Partnerships when it had been decided that the report should also be presented to the Audit Committee.

The review concluded that good progress had been made in a number of areas since CHCPs and CHPs had been established and that management continued to develop key systems and processes. Given the cultural and organisational challenges facing these new organisations, it was not surprising that there were a number of areas where governance arrangements were still under development and required to be strengthened. These included risk management arrangements and the format of performance reports. The Head of Finance – Corporate Reporting and Audit described the risk management arrangements within one specific CHP as an example of the progress being made and in response to a question from Mrs Stewart, the Director of Finance explained the financial reporting process. Mr Rundell (Audit Scotland) commented that Audit Scotland would take the findings of the internal audit report into account in their review of CHCPs and CHPs.

NOTED

19 INTERNAL AUDIT REPORT: WAITING TIMES

A report of PricewaterhouseCoopers (Audit Paper No 07/11) was presented describing the findings of the internal audit review of the overall arrangements to monitor progress against the national waiting time targets. Mr Revie (PricewaterhouseCoopers) commented that there was evidence that senior management had taken early

responsibility for this matter via the Waiting Times Planning and Performance Group chaired by the Chief Executive. Key support to this group had been delivered at operational level and in particular, the key role undertaken by the Director of Surgery and Anaesthetics was highlighted. While the waiting time targets were challenging, there were appropriate management arrangements in place to prioritise the actions required to deliver this key corporate objective.

NOTED

20 INTERNAL AUDIT REPORT: FOLLOW UP OF PRIOR YEAR RECOMMENDATIONS

A report of PricewaterhouseCoopers and the Financial Governance and Audit Manager (Audit Paper No 07/12) was presented to describe the joint process agreed between Internal Audit and the Financial Governance and Audit Manager to monitor and validate the implementation of internal audit recommendations. Mr Gray (PricewaterhouseCoopers) summarised the key elements of the joint process which included the following steps.

1. A senior manager would be identified as being responsible for agreeing the audit scope and objectives, receiving and responding to the draft report and ensuring agreed recommendations are implemented.
2. The Financial Governance and Audit Manager would maintain a Matrix of Internal Audit Recommendations to monitor implementation of recommendations. The relevant managers would be asked to provide a self-assessment of progress on the implementation of agreed recommendations. These self assessments would form the basis of reports to the Audit Support Groups and managers would be required to provide explanations to the Audit Support Groups where progress on the implementation of recommendations was not satisfactory.
3. Internal Audit would then perform evidence-based follow up work to confirm that action had been taken. This follow up work would focus on all critical or high priority recommendations and a sample (50%) of all medium and low priority recommendations.
4. The results of this work would be reported to the Audit Committee twice per annum.

NOTED

21 DRAFT HIGH LEVEL INTERNAL AUDIT PLAN 2007/2008

A report of PricewaterhouseCoopers (Audit Paper No 07/13) was presented asking Members to consider the Draft High Level Internal Audit Plan for 2007/2008. Ms Caldwell (PricewaterhouseCoopers) explained that the plan set out a number of themes and to refine these into a more focussed plan a series of meetings would be held with senior managers culminating in a workshop for Audit Committee Members. To allow internal audit work to continue while this process was underway, the Audit Committee was asked to approve the commencement of work on those subjects shown on the High Level Plan against the first quarter of 2007/2008.

A detailed Internal Audit Plan for 2007/2008 would be presented to the next meeting of the Audit Committee.

DECIDED:

1. That the internal audit work scheduled for Quarter 1 in the Draft High Level Internal Audit Plan 2007/2008 be approved;
2. That a workshop should be held for Audit Committee Members to consider the Internal Audit Plan for 2007/2008;
3. That a detailed Internal Audit Plan for 2007/2008 be presented to the next meeting of the Audit Committee.

**Pricewaterhouse
Coopers**

22 FINANCIAL GOVERNANCE ARRANGEMENTS

A report of the Financial Governance and Audit Manager (Audit Paper No 07/14) was presented asking Members to approve for submission to the NHS Board a revised Remit of the Audit Committee and Draft Fraud Policy. If approved, these documents would be submitted to the NHS Board for approval as part of the Annual Review of Corporate Governance Arrangements.

Two changes were proposed to the Remit of the Audit Committee.

1. It was proposed that the Remit should state that there should be a minimum of four rather than six meetings each year. This would allow more flexibility and enable the number of meetings to be dictated by the workload. It was anticipated that five meetings would normally be sufficient to enable the Committee to discharge its responsibilities and Members' attention was drawn to the NHS Scotland Audit Committee Handbook which recommends that Audit Committees should meet not less than three times a year.
2. It was proposed that the Audit Committee be authorised to report the results of the annual Property Transaction Monitoring review to the Scottish Executive on behalf of the Board. This would streamline the existing process.

The Draft Fraud Policy would replace the separate fraud policies and action plans which had previously existed within NHS Greater Glasgow and Clyde and would help ensure consistent arrangements for the prevention, detection and investigation of fraud. In response to a question from Mr Sime, it was agreed that the Draft Fraud Policy be presented to the next meeting of the Area Partnership Forum for comment and approval before being submitted to the NHS Board.

The Financial Governance and Audit Manager summarised progress on the development of a Scheme of Financial Delegation and List of Authorised Signatories and reported on the work being undertaken to allow the NHS Board to meet its responsibilities under the National Fraud Initiative.

DECIDED:

1. That the revised Remit of the Audit be approved and submitted to the NHS Board for approval as part of the Annual Review of Corporate Governance Arrangements;

**Financial Governance
and Audit Manager**

EMBARGOED UNTIL MEETING

AUDIT COMMITTEE: 27 MARCH 2007

ACTION BY

2. That the Draft Fraud Policy be submitted to the Area Partnership forum and if approved, submitted to the NHS Board for approval as part of the Annual Review of Corporate Governance.

**Financial Governance
and Audit Manager**

23 AUDIT SUPPORT GROUPS

**23(a) CORPORATE AND PARTNERSHIPS: MINUTES OF MEETING ON
5 MARCH 2007**

NOTED

23(b) ACUTE: MINUTES OF MEETING ON 27 FEBRUARY 2007

NOTED

24 ANY OTHER COMPETENT BUSINESS

The Convener reminded Members this was the last meeting of the Committee attended by Cllr Duncan and Mrs Kuenssberg and offered her thanks to them and to Dr Groden, whose term was also ending, for their contribution to the Committee.

25 DATE OF NEXT MEETING

The next meeting be scheduled for Tuesday, 5 June 2007 at 11.30 a.m. approximately, the meeting to commence on conclusion of the NHS Board Seminar scheduled for earlier that day.

The meeting ended at 12.30 p.m.

AUDIT COMMITTEE: 5 JUNE 2007

A (M) 07/03
Minutes: 26 – 42

NHS GREATER GLASGOW AND CLYDE

**Minutes of a Meeting of the
Audit Committee
held in Meeting Room B,
Dalian House, 350 St Vincent Street, Glasgow,
on Tuesday, 5 June 2007 at 1.00 p.m.**

PRESENT

Mrs E Smith (Chair)
Mr P Daniels OBE
Mr P Hamilton
Mr D Sime
Mrs A Stewart MBE

IN ATTENDANCE

Mr D Griffin	Director of Finance (Minute 28 – 42)
Mr J C Hamilton	Head of Board Administration (Minute 28 – 42)
Mr J Hobson	Head of Finance: Corporate Reporting and Audit (Minute 28 – 39)
Mr A Lindsay	Financial Governance and Audit Manager (Minute 28 – 42)
Mr P Ramsay	Head of Operational Finance (Minute 28 – 33)
Mr G Beattie	Head of Procurement (Minute 28 – 29)
Mr R Copland	Director of Health Information and Technology (Minute 29 - 30)
Mr C D Revie	PricewaterhouseCoopers (Minute 27 – 42)
Ms S Caldwell	PricewaterhouseCoopers (Minute 27 – 42)
Mr J Rundell	Audit Scotland
Mr G O'Neill	Audit Scotland
Mr B Clark	Audit Scotland

ACTION BY

26 PRIVATE MEETING WITH THE EXTERNAL AUDITORS

As part of the normal corporate governance arrangements and in accordance with its Remit, the Audit Committee had a private discussion with the external auditors without officers of the Board being present.

27 PRIVATE MEETING WITH THE INTERNAL AUDITORS

As part of the normal corporate governance arrangements and in accordance with its Remit, the Audit Committee had a private discussion with the internal auditors without officers of the Board being present.

28 APOLOGIES

An apology was intimated on behalf of Mr A O Robertson. The Convener welcomed Mr Daniels who was attending his first meeting as a Member of the Audit Committee.

Members agreed that due to the late start of the meeting, the Agenda items should be received in the following order: 7(b), 6(b), 4, 5, 9, 6(a), 6(c), 7(a), 7(d), 7(c), 7(e), 8, 10 and 11.

29 INTERNAL AUDIT REPORT: PROCUREMENT AND PAYABLES

A report of PricewaterhouseCoopers (Audit Paper No 07/18) was presented asking Members to note the findings of an internal audit review of the procurement and payables function within NHS Greater Glasgow and Clyde.

The Head of Procurement explained how the pan-Glasgow procurement function had been established in the summer of 2006 by bringing together the various procurement functions which had existed under the organisational arrangements prior to single system working. This was followed by the assimilation of the Clyde procurement function in December 2006.

The Head of Procurement described the actions which had been taken to address the eight matters raised in the internal audit report. The two most significant issues related to compliance with Standing Financial Instructions and the development of a Procurement Strategy. With regard to tendering procedures, the Head of Procurement commented that the audit finding reflected the different practices that had been followed prior to the establishment of a single procurement function. To address this, an instruction had been issued to all procurement staff to comply with the requirements of Standing Financial Instructions. In addition, the Head of Procurement now authorised all orders with a value in excess of £25,000 and details of the tendering process were recorded on the Cedar financial system.

With regard to the Procurement Strategy, the Head of Procurement described how a Draft Strategy had been issued to senior management for comment. The Draft Strategy proposed a steering group to oversee the different streams of procurement including pharmacy, estates, capital and Health Information and Technology. In response to a question from Mrs Stewart, the Head of Procurement explained that consultation with senior management was on schedule and the implementation of the Strategy remained on target.

The Director of Finance commented that the overall findings from the audit and the response described by the Head of Procurement resonated with the audit findings in respect of Operational Financial Services which had been at the same stage of development a year previously.

In response to a question from Mrs Smith, the Head of Procurement and the Director of Health Information and Technology described the position with regard to e-procurement and the measures in place to ensure the process was secure.

AUDIT COMMITTEE: 5 JUNE 2007

ACTION BY

The Convener thanked the Head of Procurement for his presentation.

NOTED

30 AUDIT SCOTLAND: COMPUTER SERVICES REVIEW

A report of Audit Scotland (Audit Paper No 07/15) was presented asking Members to note the findings of the Computer Services Review by Audit Scotland. Mr O'Neill (Audit Scotland) explained that in this, the first year of their five year appointment, Audit Scotland had carried out a high level risk based assessment of Health Information and Technology within NHS Greater Glasgow and Clyde. This review had been carried out with assistance from management and had covered seven key areas – ICT Strategy, organisational structure, installation management, service delivery, asset protection and security, business continuity/contingency and data networking. As a result of this review, sixteen risk areas had been identified and an action plan agreed to address these areas,

The Director of Health Information and Technology described how he had worked with Audit Scotland to develop the action plan. He stressed the importance of the action plan in the context of the significant organisational change that had taken place within NHS Greater Glasgow and Clyde and the ambitious plans to improve service delivery. Organisational and geographical diversity presented challenges that the action plan was intended to address. In setting target dates for action, the need to achieve progress had been balanced by the need to set targets which were realistic. The Director of Health Information and Technology summarised the action being taken in respect of each of the sixteen areas included in the action plan.

In response to questions from Mrs Stewart and Mr P Hamilton, the Director of Health Information and Technology explained how NHS Greater Glasgow and Clyde input to national strategies and how the convergence of voice, data and IP was likely to be incremental and would be impacted by the existing contracts for telecommunications.

Mr Daniels asked how generally the current review by Audit Scotland related to the Audit Scotland national report "Informed to Care" and in particular, how local strategy linked to national strategy, what progress was being made in developing a single patient record and how health information and technology projects were funded and monitored. In response, the Director of Health Information and Technology commented that the local strategy would reflect local and national needs and that a number of initiatives were in place in respect of development of a single patient record with progress to be reported to the Planning, Policy and Performance Group. The Director of Health Information and Technology explained the process being put in place to standardise the approval and monitoring of Health Information and Technology within the NHS Greater Glasgow and Clyde. The Director of Finance reminded Members that under the previous organisational arrangements each Division had in place its own procedures for approval and monitoring of projects. A key part of the Director of Health Information and Technology's action plan was to replace these different approaches with a single monitoring process across the entire organisation. Mr Revie (PricewaterhouseCoopers) noted that the Audit Scotland national report "Informed to Care" had been completed

AUDIT COMMITTEE: 5 JUNE 2007

ACTION BY

eighteen months previously and matters had progressed since then.

The Convener thanked the Director of Health Information and Technology for his presentation and it was agreed that he present a further progress report to the Audit Committee in the first quarter of 2008.

**Director of Health
Information and
Technology**

NOTED

31 MINUTES

On the motion of Mrs Stewart, seconded by Mr Sime, the Minutes of the meeting on 27 March 2007 [A (M) 07/02] were approved as a correct record and signed by the Convener.

32 MATTERS ARISING FROM THE MINUTES

In respect of Minute 22, Mr Sime reported that the Draft Fraud Policy had been presented to the Area Partnership Forum and some changes had been proposed. The Draft Fraud Policy had been amended to reflect these proposed changes and the amended Policy was approved by the NHS Board in April 2007.

33 DRAFT DIRECTORS' REPORT AND STATEMENTS OF RESPONSIBILITY AND INTERNAL CONTROL

A report of the Director of Finance (Audit Paper No 07/23) was presented asking Members to consider the draft Directors' Report, Statements of Responsibilities and Statement on Internal Control and if satisfied, to approve their inclusion in the NHS Board's Statement of Accounts for 2006/2007. The Director of Finance explained that a set of draft annual accounts was also included in the report. It was emphasised that these accounts were an early draft and subject to on-going audit by Audit Scotland. Any changes arising from the audit process would be reflected in the set of accounts presented to the Audit Committee and NHS Board on 26 June 2007. The draft accounts were being presented to the Audit Committee at this meeting to allow Members to consider the format.

The Financial Governance and Audit Manager summarised the process to prepare the Statement on Internal Control. In response to a question from Mrs Stewart, the Director of Finance agreed to consider the wording of an explanatory note on the calculation of pensions for possible inclusion in the Remuneration Report on pages 11 and 12 of the Draft Director's Report.

DECIDED:

That the Draft Directors' Report, Statements of Responsibility and Statement on Internal Control were appropriate for inclusion in the Statement of Accounts 2006/2007 subject to any final changes agreed with Audit Scotland.

Director of Finance

34 EXTERNAL AUDIT PROGRESS REPORT

A report of Audit Scotland (Audit Paper No 07/14) was presented asking Members to note progress against each of the streams of work

AUDIT COMMITTEE: 5 JUNE 2007

ACTION BY

being undertaken as part of the audit of the annual accounts 2006/2007. Mr Rundell (Audit Scotland) summarised the key elements of the external audit programme of work including the following matters.

1. Internal audit files had been reviewed and as a result, Audit Scotland was able to place reliance on the work of internal audit in respect of core financial systems.
2. Fieldwork had been completed in respect of the review of the NHS Board's financial position and financial management arrangements. A draft report would be prepared for discussion with management after the audit of the annual accounts had been completed.
3. A draft report on the review of partnership working arrangements had been prepared and would be issued following discussions with management.
4. A set of draft accounts had been received on the agreed target date of 14 May 2007 and the Financial Statements Audit was progressing on target. A meeting with management was arranged to discuss matters arising from the audit and the "Report to those charged with governance" (ISA 260) would be included on the Agenda for the Audit Committee and Board meetings on 26 June 2007.

Audit Scotland

Audit Scotland

NOTED

35 AUDIT SCOTLAND: CODE OF AUDIT PRACTICE

A report of Audit Scotland (Audit Paper No 07/16) was presented asking Members to note the revised Audit Scotland Code of Audit Practice. Mr Rundell (Audit Scotland) explained that this was the first revision of the Code of Audit Practice since its issue in July 2001. The revised Code of Practice now reflected the statutory duty of Best Value for local government and the introduction of International Standards on Auditing (UK and Ireland) to replace Statements of Auditing Standards. Mr Rundell drew attention to the new section within the Code of Practice which set out the basic principles governing all audit work.

NOTED

36 INTERNAL AUDIT PROGRESS REPORT

A report of PricewaterhouseCoopers (Audit Paper No 07/17) was presented asking Members to note progress against the Internal Audit Annual Plan and the key matters which had arisen from the internal audit work carried out in the period to June 2007.

Ms Caldwell (PricewaterhouseCoopers) reported that in terms of overall progress, all audits had been completed except for the four assignments which it had been agreed with management should be deferred. Ms Caldwell summarised the key findings from the internal audit work completed during the period. Completed audits were

AUDIT COMMITTEE: 5 JUNE 2007

ACTION BY

Strategic Reviews

Pay Modernisation – Benefits Realisation
Service Level Agreements with NHS Highland

Partnership Reviews

General Medical Services (GMS) Contract Monitoring
GMS – IT Management

Acute Division Reviews

Clinical Governance – Operational Risk Management
Health Centre Visits
Capital Planning

Corporate Processing

Procurement and Payables
General Ledger Management
Income and Debtors
Treasury and Cash Management
Compliance with Agenda for Change

The Convener report that she had met with Head of Clinical Governance to discuss how the Audit Committee could support the development of the NHS Board's risk management arrangements with particular reference to the identification and reporting of corporate risks. The Head of Clinical Governance had proposed that he attend meetings of the Audit Committee accompanied by the Medical Director to report progress on risk management in general and corporate risks in particular. It was agreed that this proposal be accepted.

**Head of Clinical
Governance/Medical
Director**

NOTED

37 INTERNAL AUDIT ANNUAL REPORT 2006/2007

A report of PricewaterhouseCoopers (Audit Paper No 07/20) was presented asking Members to note the internal audit annual report for 2006/2007. Mr Revie (PricewaterhouseCoopers) explained that as Head of Internal Audit, he was required by the NHS Internal Audit Standards to provide a written report to the Accountable Officer to inform the organisation's annual Statement on Internal Control.

Mr Revie drew Members' attention to the limitations and responsibilities set out on page 8 of the internal audit annual report and emphasised that the audit opinion expressed in the report was in respect of the year ended 31 March 2007. Having completed their programme of work, the internal auditors reported that their work did not identify any critical control weaknesses that they considered to be pervasive in their effects on the system of internal control.

Mr Revie reminded Members that the internal auditors had identified a number of areas of higher risks in their reviews of the following areas:- Business Continuity and Emergency Planning, Procurement and Payables, Pharmacy Stores and Stock Management, Community Health and Care Partnerships and Risk Management. Taking account of these matters, the internal auditors could give moderate assurance on the adequacy and effectiveness of the system of internal control. Mr Revie explained that under PricewaterhouseCoopers' definitions of assurance levels, moderate assurance was provided in the annual opinion where the internal auditors had identified mostly low and

AUDIT COMMITTEE: 5 JUNE 2007

ACTION BY

medium rated risks during the course of their work on business critical systems but there had been some isolated high risk recommendations and/or the number of medium rated risks was significant in aggregate.

In response to a question from Mrs Stewart in respect of pharmacy stock and stores management, the Director of Finance highlighted the need to consider the effects that working practices could have on the matters raised in the internal audit report. It was agreed that as part of their programme, the internal auditors identify the levels of pharmacy stock write –offs and report to a subsequent meeting.

**Pricewaterhouse
Coopers**

NOTED

38 INTERNAL AUDIT REPORT: SERVICE LEVEL AGREEMENTS WITH NHS HIGHLAND

A report of PricewaterhouseCoopers (Audit Paper No 07/19) was presented asking Members to note the findings of the internal audit review of the development of Service Level Agreements (SLAs) with NHS Highland. Ms Caldwell (PricewaterhouseCoopers) reported that the overall conclusion was that the approach to the development of SLAs with NHS Highland was adequate and gave examples of areas of good practice which had been identified. Areas had also been identified for development and Ms Caldwell summarised these. An action plan had been agreed with management to address these development areas.

In response to a question from Mrs Smith, the Head of Finance – Corporate Reporting and Audit explained the three-stage process for signing off each SLA. The Director of Finance noted that the development of SLAs with NHS Highland had stabilised the Board's income and joined with the Convener in recognising what had been achieved by the Head of Finance – Corporate Reporting and Audit having made so much progress in this area in such a short time.

NOTED

39 INTERNAL AUDIT ANNUAL PLAN 2007/2008

A report of PricewaterhouseCoopers (Audit Paper No 07/21) was presented asking Members to approve the Internal Audit Annual Plan for 2007/2008.

The Head of Finance – Corporate Reporting and Audit reminded Members that a high level draft internal audit annual plan had been presented to the Audit Committee on 27 March 2007 (Audit Paper No 07/13). This high level draft plan had been discussed with Directors and senior managers before being considered at a workshop for Audit Committee Members on 23 May 2007. The outcome from these discussions and the workshop had been further refined during final discussions with the Director of Finance.

In response to a question from Mr Daniels, the Head of Finance – Corporate Reporting and Audit explained that while Best Value was not a statutory requirement for the NHS, consideration of value for money was embedded within many of the assignments within the internal audit annual plan and cited as examples the planned work on bank and agency nurse, use of locums and the decontamination review. Ms

AUDIT COMMITTEE: 5 JUNE 2007

ACTION BY

Caldwell (PricewaterhouseCoopers) explained that the internal audit report to the next meeting of the Audit Committee would set out the remit for each audit assignment in the annual plan including consideration of value for money. Mr Rundell (Audit Scotland) Commented that the Priorities and Risks Framework document informed the external auditors' work and allowed best value to be considered. In addition, it was hoped that the Audit Scotland Public Reporting Group would be able to attend a future meeting of the Audit Committee.

**Pricewaterhouse
Coopers**

DECIDED:

That the Internal Audit Annual Plan 2007/2008 be approved.

**Pricewaterhouse
Coopers**

40 DRAFT STATEMENT ON INTERNAL CONTROL

A report of the Financial Governance and Audit Manager (Audit Paper No 07/22) was presented asking Members to approve

1. the review of the system of internal control 2006/2007;
2. the Statement of Assurance from the Audit Committee to the NHS Board;
3. the Statement on Internal Control 2006/2007.

The Financial Governance and Audit Manager reminded Members that the Statement on Internal Control (SIC) formed part of the Statement of Accounts and had been considered earlier in the meeting as part of Audit Paper No 07/23. Guidance issued by the Scottish Executive Health Department indicated that the SIC should be informed by a review by the Audit Committee of the organisation's system of internal control. Appendix 1 of the report contained a review of the NHS Board's system of internal control which drew on a number of sources including statements of assurance in respect of the other governance committees and groups including staff governance, clinical governance and risk management. This review suggested that there were two matters to which reference should be made in the SIC.

1. The on going work required to conclude the process to identify and report corporate risks;
2. The work by NHS Counter Fraud Services (NHS CFS) which suggests that a potentially significant level of incorrect claims may have been made at the point of delivery in respect of exemption from NHS prescription, dental and ophthalmic charges.

Members attention was drawn to the statement by NHS CFS that the extrapolated figure for fraud was based on a sample which was targeted on risk areas and it was recognised that this approach was not conducive to producing accurate extrapolations.

The Financial Governance and Audit Manager drew Members' attention to the Annual Fraud Report at paragraph 10 of Appendix 1 and noted that one new case of fraud had been discovered during 2006/2007.

If adopted, the review in Appendix 1 of the report would allow the

AUDIT COMMITTEE: 5 JUNE 2007

ACTION BY

Statement of Assurance by the Audit Committee at Appendix 2 to be presented to the NHS Board at the meeting on 26 June 2007 together with a recommendation that the Chief Executive should sign the Statement on Internal Control within the Statement of Accounts. The Financial Governance and Audit Manager explained that if any issues emerged during the concluding stages of the audit of the annual accounts, the Statement of Assurance by the Audit Committee and the Statement on Internal Control would be amended accordingly.

DECIDED:

- | | |
|---|---|
| 1. That the report on the review of the system of internal control including the annual fraud report, be approved; | Financial Governance
and Audit Manager |
| 2. That the Statement of Assurance by the Audit Committee be approved for submission to the NHS Board on 26 June 2006; | Financial Governance
and Audit Manager |
| 3. That the Statement on Internal Control be approved for submission to the NHS Board on 26 June 2006 with a recommendation that the Chief Executive should sign the Statement on Internal Control. | Financial Governance
and Audit Manager |

41 AUDIT SUPPORT GROUPS

41(a) CORPORATE AND PARTNERSHIPS: MINUTES OF MEETING ON 14 MAY 2007 [ASG CP (M) 07/03]

NOTED

41(b) ACUTE: MINUTES OF MEETING ON 30 APRIL 2007 [ASG A (M) 07/02]

NOTED

42 DATE OF NEXT MEETING

The next meeting be scheduled for Tuesday, 26 June 2007 at 8.30 a.m.

The meeting ended at 4.05 p.m.