NHS GREATER GLASGOW AND CLYDE

Minutes of a Meeting of the Audit Committee
held in Board Room 1, 
Dalian House, 350 St Vincent Street, Glasgow, 
on Monday, 5 November 2007 at 10.00 a.m.

PRESENT
Mrs E Smith (Chair)
Mr P Daniels OBE
Mr P Hamilton

IN ATTENDANCE
Mr D Griffin  Director of Finance
Mr J C Hamilton  Head of Board Administration
Mr A Lindsay  Financial Governance and Audit Manager
Mr A Gray  PricewaterhouseCoopers
Ms S Caldwell  PricewaterhouseCoopers
Mr M White  PricewaterhouseCoopers
Mr D McConnell  Audit Scotland
Mr J Rundell  Audit Scotland

ACTION BY

57 APOLOGIES
Apologies were intimated on behalf of Cllr J Handibode, Mr A O Robertson OBE, Cllr I Robertson, Mr D Sime and Mrs A Stewart MBE.

58 MINUTES
On the motion of Mr Hamilton, seconded by Mr Daniels, the Minutes of the meeting on 11 September 2007 [A (M) 07/05] were approved as a correct record and signed by the Convener.

59 MATTERS ARISING FROM THE MINUTES
In respect of Minute 45, the Director of Finance reported the progress made by the Risk Management Steering Group to develop a composite Corporate Risk Register. A report on this would be presented to the Audit Committee in January 2008.

In response to a question from Mr Hamilton in respect of Minute 46, Ms Caldwell (PricewaterhouseCoopers) explained that the locations for the internal audit review of Key Performance Indicators were East Glasgow Community Health and Care Partnership and East Dunbartonshire Community Health Partnership.
In respect of Minute 55, the Director of Finance reported that he had discussed with the Director of Finance – Acute the role of the Audit Support Group – Acute (ASG – Acute). They had concluded that the ASG – Acute is performing well and the current arrangements should continue for a further year after which the position would be reviewed. The Director of Finance emphasised the role of the Chairs of the Audit Support Groups in calling officers to account and ensuring that audit recommendations were actioned.

**ACTION BY**

**Director of Finance**

**60 AUDIT SCOTLAND PROGRESS REPORT**

A report of Audit Scotland (Audit Paper No 07/34) was presented asking Members to note progress in respect of each of the streams of work undertaken as part of the audit of the 2007/2008 accounts. Mr McConnell (Audit Scotland) reported that work on the 2007/2008 audit was at an early, mainly preparatory stage. Work had commenced on the Priorities and Risk Framework while the Audit Risk Analysis and Plan would be submitted to management in December 2007. The annual review of the internal audit service had been completed satisfactorily and as a result, Audit Scotland would be able to place reliance on aspects of internal audit work in respect of the financial statements audit. At the request of management, a preliminary follow up review had been undertaken to ensure progress was being made against the recommendations contained in the Computer Services Review report. A draft report on the results of this follow up review was with management for comment.

Mr Rundell (Audit Scotland) described the plan for the financial statements audit which would commence on 12 May 2008 with the aim of issuing an audit opinion by 24 June 2008. A meeting was arranged with senior finance managers to plan in detail the 2007/2008 audit including a review of the previous year’s audit to identify any lessons which could be learned.

Mr Rundell reported that the key co-ordinators of the National Fraud Initiative (NFI) were scheduled to meet with officers of the Board to discuss progress with NFI. The Financial Governance and Audit Manager summarised the investigations completed and reported that so far, no cases of fraud against the NHS had been discovered.

Mr McConnell reported that following the terrorist incident at Glasgow Airport in June 2007, the Scottish Government had asked the Auditor General to examine whether NHS Boards were following existing procedures on international recruitment. Audit Scotland had therefore undertaken a review in five Boards including NHS Greater Glasgow and Clyde. A draft report on the results of this review had been issued to the five Boards for comment with a view to publication later in November 2007.

Mr McConnell drew Members’ attention to the most recently published report by Audit Scotland’s Public Reporting Group which was in respect of Primary Care Out of Hours Services and to the forthcoming report on the “Overview of the performance and financial management of the NHS in Scotland 2006/2007”.

**NOTED**
61 PROCESS FOR RESPONDING TO AUDIT SCOTLAND NATIONAL STUDIES

A report of the Head of Board Administration and Director of Finance (Audit Paper No. 07/35) was presented asking Members to approve a proposal for handling and responding to reports issued by Audit Scotland in respect of their national studies. The Head of Board Administration explained that the proposed process reflected the discussion at the meeting on 11 September 2007 (Minute 47 refers).

Mr McConnell (Audit Scotland) commented that the Audit Scotland Public Reporting Group would be in a position to consider the question of how their reports should be issued to Non-executive Directors when they completed their series of presentations to Audit Committees. In response to a question from Mr Daniels, the Director of Finance and Head of Board Administration confirmed that Non-Executives would continue to receive a copy of the “Key Issues for Non-executives” and a copy of the full report would be presented together with the briefing paper/response.

DECIDED:

That the proposed process for dealing with reports by Audit Scotland’s Public Reporting Group be approved subject to copies of full reports being presented to Non-executive Members when submitting the briefing paper/response.

62 INTERNAL AUDIT PROGRESS REPORT

A report of PricewaterhouseCoopers (Audit Paper No 07/36) was presented asking Members to note progress against the Internal Audit Annual Plan and key matters which had arisen from internal audit work carried out in the period to October 2007. Mr Gray (PricewaterhouseCoopers) summarised overall progress to date against the internal audit annual plan. Work on audits of operational financial services had been purposely timed to start in the third quarter of the financial year to allow audit testing of a full six months transactions within the current year. This in turn allowed Audit Scotland to place reliance on the work of internal audit in these key areas. Work remained on schedule to deliver the full internal audit plan by the end of March 2008. Mr Gray highlighted the support role played by internal audit in respect of the development of risk management processes including the corporate risk register and the review of the arrangements for the recruitment of foreign nationals. With regard to the latter, Mr Gray indicated that the report would be complete before the next meeting of the Audit Committee in January 2008. It was agreed that this report should be issued to Audit Committee Members in tandem with the Audit Scotland report on the same subject (Minute 60 refers) to allow both to be reviewed at the Audit Committee meeting in January 2008.

It was also agreed that the Director of Finance and Head of Board Administration should meet with PricewaterhouseCoopers to facilitate the finalisation of the internal audit report.

Mr White (PricewaterhouseCoopers) summarised the key findings from the internal audit review of the accounts payable process including the need to develop a single set of operating procedures and
to harmonise the processes for reviewing payment processing runs. The Director of Finance reminded Members that Operational Financial Services were currently based on two sites and explained that it was proposed to move them to a single site by the end of February 2008. A revised organisational structure was also proposed to ensure the benefits of co-location were achieved. A consultation process with staff was underway.

Mr Gray drew Members’ attention to the section of the progress report which discussed the significant implications of the requirement for NHS Boards to comply with International Financial Reporting Standards (IFRS) for the year ended 31 March 2009 (including the re-statement of 2007/2008 comparatives). The Director of Finance highlighted the need at national level to ensure the introduction of IFRS was cost neutral and described how a working group was already being established to prepare locally for IFRS.

**NOTED**

**FAMILY HEALTH SERVICES: PAYMENT VERIFICATION**

A report of the Divisional Financial Governance Manager (Audit Paper No 07/37) was presented asking Members to note the arrangements in place to ensure the probity of Family Health Service payments. The Divisional Financial Governance Manager described how approximately £287m was paid in 2006/2007 to Family Health Service (FHS) contractors which comprised general medical practitioners, dentists, pharmacists and opticians. The Payment Verification (PV) process had been developed to provide a regime of pre- and post payment checks covering each of the four types of contractor. A PV Protocol had been developed based on risk assessment, to ensure a consistent approach to PV at all levels.

The Divisional Financial Governance Manager explained that PV is undertaken on behalf of NHS Board by Practitioner Services Division (PSD) of National Services Scotland. Quarterly reports for each of the four payment streams are issued by PSD and subject to detailed discussion with the relevant managers. The Divisional Financial Governance Manager described how he attends the meetings to discuss each of the quarterly reports and how he reports on an exception basis to the Audit Support Groups. In response to a question from Mr Hamilton, the Divisional Financial Governance Manager explained the process for selecting the GP practices to be visited under the PV process.

**NOTED**

**AUDIT SUPPORT GROUPS**

**64(a) CORPORATE AND PARTNERSHIPS: MINUTES OF MEETING ON 23 OCTOBER 2007 [ASG CP (M) 07/05]**

In response to a question from Mr Daniels in respect of Minute 36, the Director of Finance confirmed that the Audit Scotland report on Primary Care Out of Hours Services would be dealt with under the process agreed earlier in the meeting (Minute 61 refers).

**NOTED**
ACUTE: MINUTES OF MEETING ON 9 OCTOBER 2007 [ASG A (M) 07/04]

Replying to a question from Mr. Hamilton in respect of Minute 30a, the Director of Finance undertook to confirm the situation with regard to the Nurses Bank Call Centre.

DIRECTOR OF FINANCE

DATE OF NEXT MEETING

The next meeting was scheduled for Tuesday 22 January 2007 at 9.30 a.m.

The meeting ended at 11.15 a.m.