AUDIT COMMITTEE: 9 SEPTEMBER 2008

A (M) 08/05
Minutes: 42 – 58

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 Tuesday 9 September 2008 at 9.30 a.m.**
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PRESENT

Mrs E Smith (Chair)
Mr P Hamilton
Cllr J Handibode
Mr I Lee
Mrs J Murray
Mrs A Stewart MBE

IN ATTENDANCE

Mr D Griffin	Director of Finance (To Minute 54)
Mr G Beattie	Head of Procurement (To Minute 46)
Mr R Copland	Director of Health Information (To Minute 47)
Mr I Reid	Director of Human Resources (To Minute 45)
Mr A Lindsay	Financial Governance and Audit Manager
Mr C D Revie	PricewaterhouseCoopers
Mr A Gray	PricewaterhouseCoopers
Ms J McWilliams	PricewaterhouseCoopers
Mr D McConnell	Audit Scotland
Mr J Rundell	Audit Scotland
Mr G O'Neill	Audit Scotland
Mr M Rautenbach	Audit Scotland

ACTION BY

42   WELCOME AND APOLOGIES

The Convener welcomed Mr Lee who was attending his first meeting as a Member of the Audit Committee. Apologies were intimated on behalf of Mr P Daniels OBE, Cllr I Robertson and Mr D Sime.

To facilitate the attendance of the Director of Human Resources, Members agreed to consider item 6 on the Agenda after Item 3. To facilitate the attendance of the Director of Finance, it was also agreed that items 10 – 12 (inclusive) be considered before item (9c).

43   MINUTES

On the motion of Mr Hamilton, seconded by Mrs Stewart, the Minutes of the meeting on 24 June 2008 [A (M) 08/02] were approved as a correct record and signed by the Convener.

44   MATTERS ARISING FROM THE MINUTES

There were no matters arising from the Minutes.

45   IMPLEMENTATION OF RECOMMENDATIONS 2007/2008

A report of the Director of Human Resources and the Financial Governance and Audit Manager (Audit Paper No 08/24) was presented asking Members to note progress made in implementing "High" and "Critical" recommendations contained in internal audit reports issued during 2007/2008.   The Financial Governance and Audit Manager explained that the Annual Report presented by the internal auditors to the meeting on 10 June 2008 (Audit Paper No 08/15) had identified one recommendation classed as critical risk and thirteen classed as high risk.

- One high risk recommendation related to the internal audit review of Corporate Performance Reporting and the Head of Performance and Corporate Reporting had attended the meeting on 10 June to describe the action being taken in response to all the recommendations. In addition, the action taken in response to the audit recommendations would be reviewed in a follow up audit once the "action by" dates had arrived.
- Another high risk recommendation related to the internal audit report on IT Policies and Procedures. This would be dealt with under Item 5 on the Agenda – Health Information and Technology.
- The one critical risk and eleven remaining high risk recommendations related to the internal audit reports on the Recruitment of Foreign Nationals and the Use of Medical Locums.

The Director of Human Resources explained the key actions taken to address the issues raised in these reports.

Recruitment of Foreign Nationals

The recruitment function, including Medical Staffing, had been centralised in Tara House and the "Empower" computerised HR system had been introduced. Written policies and procedures had been developed and disseminated. In addition, revised processes were being developed to allow the Board to apply to become a licensed sponsor under the Points Based System (PBS) being introduced by the UK Border and Immigration Agency (BIA). In addition to an initial assessment by BIA to determine if a sponsor's licence was to be granted, the Board would also be subject to unannounced audits by BIA. In response to a question from Mrs Stewart, the Director of Human Resources explained how the "Empower" system assisted with monitoring compliance with process and tracking of employee

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movement/changes. Mr Revie (PricewaterhouseCoopers) explained that the internal auditors would carry out a full follow-up review as part of the 2008/2009 internal audit annual plan. Replying to questions from Mrs Murray, the Director of Human Resources explained the steps taken regarding disclosure in respect of foreign nationals recruited directly from the country of origin.

Use of Medical Locums

Procedures for the appointment of medical locums had been prepared and issued to all relevant managers and staff. A national contract existed for the provision of locum services and the processes to be followed by the contractor in providing locum services were clearly articulated. The centralisation of the recruitment function enabled the appointment of locums to be proactively managed and monitored. The "Empower" system assisted with this. In response to questions from Mr Lee and Mr Hamilton, the Director of Human Resources confirmed that GMC registration was checked before a locum took up his duties and explained that the Board's responsibility did not extend to the appointment of locums to general practices. The Director of Finance confirmed to Mrs Stewart that the issue of GP locums was included in the Risk Register for Community Health and Care Partnerships. In response to a question from Mrs Stewart, the Director of Finance explained the background to the problem in respect of record keeping identified in the original report and the Director of Human Resources confirmed that the situation had improved significantly, assisted by the "Empower" system.

NOTED

46   **PROCUREMENT**

The Head of Procurement tabled a report which summarised progress in respect of key developments within procurement, in particular, the National Logistics Project.

National Logistics Project

The Head of Procurement reminded Members of the background to the National Logistics Project which involved stock being delivered to Boards from a National Distribution Centre (NDC), thereby removing the need for on-site stores. NHS Greater Glasgow and Clyde was the biggest adopter of the service. In general, the NDC service was good and while two incidents had occurred which affected delivery these had been addressed quickly and effectively.

The Head of Procurement explained that the internal auditors had reviewed the NDC service part way through its roll out to NHS Greater Glasgow and Clyde and described the actions taken in respect of the issues raised in the auditors' report including the transfer of stock from hospitals to the NDC, goods receipting, ordering of urgent items,

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borrowing stock between wards and monitoring efficiency savings. With regard to goods receipting, a system of sample checks had been introduced in May 2008. Almost 25,000 lines had been checked with an error rate of 0.46%. Although these results were good, the Head of Procurement agreed with the Director of Finance that the programme of sample checks would be continued.

Head of Procurement

The Head of Procurement explained how the savings from the project were calculated and the Director of Finance commented that both the Director of Facilities and the Head of Procurement were focused on the impact of any possible increase in the management fee. The National Logistics Forum provided a vehicle for monitoring issues of efficiency savings and the management fee.

The Head of Procurement summarised developments in four other areas of procurement.

Remote Requisitioning

Electronic remote requisitioning was being introduced across the Board and delivered benefits in terms of reduced input being required to process purchase orders and a much quicker turnaround time. The initial phase of this project focussed on the higher volume users (mainly in the Acute Services Division) and to date, 67% of indents were being requested electronically.

Strategic Sourcing

A Commodity Team within the Procurement Department was established to deliver Best Value from national contracts and to develop local contracting capability. The team is currently working with Community Health (and Care) Partnerships to review and develop their tendering and commissioning processes to ensure compliance with Standing Financial Instructions and to encourage fair and open processes for the allocation of funds to bodies including voluntary sector organisations.

Capital Equipment

An Equipment Team was also established within Procurement to provide specialist expert support to major new build projects. This team also has responsibility for capital equipment expenditure and is currently heavily involved in the Ambulatory Care Hospitals.

Organisational Change

In addition to the significant changes resulting from the introduction of remote requisitioning, the Procurement Department has recently absorbed the Community and Mental Health Dressings and Sundries Service previously delivered from Leverndale Pharmacy. All parts of

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the dressings and sundries service are now within the Procurement Department allowing for greater consistency in service delivery.

The Convener thanked the Head of Procurement for his report.

NOTED

47   **HEALTH INFORMATION AND TECHNOLOGY**

A report of the Director of Health Information and Technology (Audit Paper No 08/23) was presented asking Members to note the findings from three reports by Audit Scotland and three by PricewaterhouseCoopers, all six reports relating to significant aspects of Health Information and Technology (HIT). Mr Revie (PricewaterhouseCoopers) explained that Audit Scotland and PricewaterhouseCoopers had prepared a joint presentation which summarised the key issues and following this presentation, the Director of Health Information and Technology would comment on the issues raised.

Mr O'Neill (Audit Scotland) introduced the presentation by referring to the importance of IT systems as emphasised in the discussion of previous agenda items by the Director of Human Resources and the Head of Procurement.

NHS Greater Glasgow and Clyde Context

Mr O'Neill drew attention to the significant challenges facing the Board including the major organisational change and restructuring which had recently been undertaken, the move to single system working, the re-alignment of approximately 1,200 HIT staff, the revision of the HIT strategy and the linkage to the national e-Health Strategy 2008-2011.

The Director of HIT commented that the restructuring of HIT came towards the end of the process of major change for the organisation as a whole. Despite the restructuring of HIT, the organisation still required support to maintain "business as usual" and this was in the context of unprecedented levels of reliance on HIT within NHS Greater Glasgow and Clyde. Challenges were presented by the different policies and procedures which had existed within different parts of the organisation. With support from Human Resources, there was engagement with the staff side to progress the restructuring. In addition, the working relationship with the Scottish Government had to be developed. Comments by the Board's contractual partners in HIT projects confirmed that some of the current HIT projects were among the largest in Europe.

IT Governance Framework

Mr O'Neill summarised the seven elements which made up the IT

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governance framework:-the HIT Strategy, organisation structure, installation management, service delivery, asset protection and security, business continuity/contingency planning and data networking.

The Director of HIT described how the overall HIT governance framework had improved.   The IT Strategy Committee and the Information Governance Committee had been established and were key to maintaining this improvement.   The high level clinical group which had oversight of how patient information was to be shared in the context of Ambulatory Care Hospitals was further evidence of improved governance.

Audit Activity 2007/2008

Mr O'Neill gave details of the six audit reports which had been issued, the scope of each review and the risk rating of the findings.   The six reports were:-

1.   Follow Up of Computer Services Review (Audit Scotland);
2.   HIT Restructuring (PricewaterhouseCoopers);
3.   IT Policies and Procedures (PricewaterhouseCoopers);
4.   IT   Programme   and   Project   Management (PricewaterhouseCoopers);
5.   Key ICT Installations/Applications (Audit Scotland);
6.   Ambulatory Care Hospitals – Portal Development Project (Audit Scotland).

The Director of HIT welcomed the tranche of audit work and noted that assurance could be taken from the fact that only one of the recommendations had been deemed significant enough to warrant a "high" rating by the internal auditors.

Audit Findings – Themes and Risks

Follow Up of Computer Services Review

Mr Rautenbach (Audit Scotland) explained that this review had followed up on the action plan agreed after the original review in 2007. Some of the deadlines in the original action plan were ambitious and the complex restructuring within the HIT Directorate had proved challenging.   Management actions had required to be more complex and interdependent than anticipated and as a result, some actions had to be rescheduled.

The Director of HIT agreed that the complexity of some issues had proved to be even more challenging than expected and as a result, revised deadlines had been agreed for some actions.

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Ms McWilliams (PricewaterhouseCoopers) commented on the main issues in the reports by PricewaterhouseCoopers including the following matters.

HIT Restructuring.
- The restructuring of the department involved significant numbers of staff and had been supported by human resources and include staff side representation.
- The appointment of a project manager earlier in the process could have made the transition more efficient.
- There was a need to review the HIT Strategy in the light of the restructuring to ensure strategic objectives are delivered.

The Director of HIT explained that it had not been possible to fill the project manager post until November 2007. Had an earlier appointment been possible, more progress could have been made. The HIT structure had been subject to some adjustments to better meet the needs of the organisation.

IT Policies and Procedures
- There was a need to ensure that NHS Greater Glasgow and Clyde Policies are in place.
- A number of policies had still to be completed or were in draft form awaiting approval.
- There was a need to increase staff awareness of IT policies and procedures.

The Director of HIT explained that the post of IT Security Officer in Greater Glasgow and in Clyde had been vacant. An IT Security Officer had now been appointed for NHS Greater Glasgow and Clyde together with the Head of Information Governance. Existing policies while not consistent were not dissimilar and good progress was being made in developing harmonised organisation wide policies. The Director of HIT used the example of removable storage media to illustrate the issues in developing an organisation wide policy. He emphasised the need for staff training and awareness and recognised the challenge presented by the size of the organisation. In response to a question from Mr Lee, the Director of HIT confirmed that while inconsistencies existed, password protection was in place throughout the organisation. In this context, there were challenges in respect of the age of some systems and the practice of sharing passwords.

IT Project Management Arrangements
- There was a need to define the role and responsibilities of the Programme Office.
- There was a need for a single IT projects register to include all IT projects and programmes.
- There was a need to adopt a consistent project management approach to all IT Projects.

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The Director of HIT described the historical development of the Programme Office, how it had been focussed on cultural change and how engagement had been on a voluntary basis. While the role of the Programme Office is being developed, assurance could be taken from the fact that every HIT project had a governance board. The Director of HIT explained that two project management methodologies were in use – ELMP and Prince 2. Consideration of which to adopt as standard would be informed by the debate of this issue at national level.

Mr Routenbach then outlined the key findings from the Audit Scotland review of key applications/installations. This had focussed on two applications – Emergency Department Information System (EDIS) and Picture Archiving and Communications (PACS).

- While EDIS data was mirrored on a second server and backed up to tape, the data backed up to tape was untested for recoverability.
- EDIS did not interface with other systems.
- Data exported or printed from EDIS is outside the normal control disciplines of the application system.

The Director of HIT explained that the duplicate storage process meant data was automatically regenerated but a test would be carried out by the end of 2008/2009 to restore data from the back up tape. A request had been submitted for the development of an electronic interface within EDIS but meanwhile, interim solutions were in place to overcome the lack of interface. The sharing of information with other accident and emergency systems would form part of the next phase of EDIS development. With regard to PACS, the Director of HIT described positive feedback from clinicians and referred to concerns voiced by NHS Greater Glasgow and Clyde over the architecture.

Mr O'Neill summarised the key matters arising from the Audit Scotland review of Ambulatory Care Hospitals – Portal Development Project. Overall, the project was still in development and faced tight timescales. Key features of the project included the following matters.

- The design of the clinical portal required a high level of interdependency between different systems and required interfaces to make information available at the point of delivery of patient care.
- The system was complex but critical to the service.
- Service continuity was essential and disaster recovery plans required to support delivery.
- There was an organisational challenge in introducing paper-light working.
- There was risk around the timescales for delivery.

The Director of HIT described the limitations of paper based records in terms of tracking, filing and monitoring who has accessed them. In

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addition, paper records tended to be site specific and did not necessarily show information relating to the patient from another site. The portal technology was used by most large organisations to share information and would allow 80% of records to be stored electronically. There had been good engagement with clinicians who were enthusiastic about the project.

The Director of HIT described two small projects which had successfully demonstrated that the portal technology worked in practice. Challenges remained however in respect of the overall timing; it would be undesirable on the opening of the Ambulatory Care Hospitals to have to support both paper and electronic records. A procurement exercise was underway to secure a scanning service to help deal with the issue of the paper records. The Director of HIT commented that the portal project was seen as the single biggest change to date in how we support the way patients are treated.

In response to questions from Mrs Smith and Mr Lee, the Director of HIT explained that specialist clinical systems would still be required in addition to the clinical portal and that the Strategic Management Group of the Acute Services Division was considering the changes to operational procedures which would be required to realise the potential of the portal. Replying to a question from Mrs Stewart, the Director of HIT commented that the portal would require an unprecedented level of resilience and business continuity planning.

The Convener thanked the Director of HIT for his input.

Audit Assurance Planned for 2008/2009

Mr Revie explained that two joint exercises would be undertaken by Audit Scotland and PricewaterhouseCoopers. The first involved a status report to the Audit Committee in June 2009 for all HIT recommendations and associated management actions. The second related to Information Governance (including data handling) to be reported to the Audit Committee in March 2009 to inform the Statement on Internal Control for 2008/2009.

NOTED

48 **REPORT ON THE 2007/2008 AUDIT**

A report of Audit Scotland (Audit Paper No 08/25) was presented asking Members to note the main issues to arise during the audit of the 2007/2008 annual accounts. Mr McConnell (Audit Scotland) explained that the report would become a public document and be published on Audit Scotland website later in the year. He summarised the main points in the report including the following matters.

1. The financial outturn (a cumulative surplus of £0.6m);
2. The potential liability for Equal Pay claims (an observation made of all NHS Boards);

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    3.   The unqualified audit opinion;
    4.   The action plan for the future development of the performance management framework;
    5.   The follow up by Audit Scotland of the baseline review of Best Value;
    6.   The overall satisfactory governance arrangements.

Mr McConnell drew attention to the challenges facing the Board in 2008/2009 including service redesign, financial management, International Financial Reporting Standards (IFRS), the national performance framework, efficiency, equal pay, data handling arrangements, Best Value and a range of national developments including the independent scrutiny arrangements. Members' attention was drawn to the action plan contained within the report.

In response to a question from Mr Lee, Mr Revie (PricewaterhouseCoopers) explained that PricewaterhouseCoopers had been appointed by the Scottish Government Health Directorates to provide advice to NHS Boards on IFRS.

NOTED

49 **AUDIT SCOTLAND PROGRESS REPORT**

A report of Audit Scotland (Audit Paper No 08/26) was presented asking Members to note progress in each of the streams of work undertaken as part of the audit of the Board's accounts. Mr Rundell (Audit Scotland) drew Members attention to the key elements of the report in particular Appendix 1 to the report which showed that the targets for all the outputs from the audit had been met. In addition to the matters described by Mr McConnell in respect of the previous item – the Audit Scotland Report on the 2007/2008 Audit, Mr Rundell explained that the follow up of the baseline review of best value had focussed on Financial Management: Use of Resources. All reports were undergoing a moderation process to ensure consistency across NHS Scotland and would be issued shortly.

Mr Rundell reported that reports in respect of two national studies had been published by Audit Scotland; these related to the New General Medical Services Contract and a Review of Palliative Care Services in Scotland and would be considered at future meetings of the Performance Review Group. Mr Rundell also reported that the Statement on Internal Control would be expanded in respect of 2008/2009 to incorporate statements on best value and data handling.

NOTED

50 **INTERNAL AUDIT ACTIVITY REPORT 2007/2008**

A report of PricewaterhouseCoopers (Audit Paper No 08/27) was presented asking Members to note the audits concluded since the last

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meeting of the Audit Committee. Mr Revie (PricewaterhouseCoopers) explained that the completion of these audits concluded the internal audit annual plan for 2007/2008. He drew Members attention in particular to the report on Absence Management and noted that the Absence Policy remained in draft form and required to be finalised. In response to a question from Mr Hamilton, Mr Revie confirmed that a date had been agreed for the roll out of the Absence Policy and associated training.

Mr Gray (PricewaterhouseCoopers) commented on the report on Partnerships' Clinical Governance – Learning from Adverse Incidents. He noted that while there were areas of good practice, there was scope to develop processes, e.g. enhancing the audit trail which evidences the response to incidents.

NOTED

51 **INTERNAL AUDIT REPORT: LOCAL PERFORMANCE MANAGEMENT IN EAST GLASGOW COMMUNITY HEALTH AND CARE PARTNERSHIP**

A report of the PricewaterhouseCoopers (Audit Paper No 08/28) was presented asking members to note the results of their review of the arrangements for local performance management in East Glasgow Community Health and Care Partnership (CHCP). Mr Gray (PricewaterhouseCoopers) summarised the key issues in the report. In general there was a good structured process for performance management but challenges remained for example, in respect of developing baseline information to allow improvement to be measured.

It was agreed that the Financial Governance and Audit Manager should circulated the report to Members and after consultation with East Glasgow CHCP, to other CHCPs.

Financial Governance and Audit Manager

NOTED

52 **PROPERTY TRANSACTIONS MONITORING 2007/2008**

 A report of the Financial Governance and Audit Manager (Audit Paper No 08/31) was presented asking Members to note the process for reporting the monitoring of property transactions for 2007/2008 to the Scottish Government Health Directorate. The Director of Finance explained that the full report on property transaction monitoring would be presented to the next meeting of the Audit Committee. In the meantime, and in accordance with the process agreed, a copy of the report in draft form would be submitted to the Scottish Government Health Directorate by the deadline of 31 October 2008.

Financial Governance and Audit Manager

NOTED

AUDIT COMMITTEE: 9 SEPTEMBER 2008

ACTION BY

53   FRAUD REPORT

A report of the Financial Governance and Audit Manager (Audit Paper NI 08/32) was presented asking Members to note the report by Audit Scotland on the outcome across the Public Sector in Scotland of the National Fraud Initiative 2006/2007. The Director of Finance noted that the NHS accounted for only a small proportion of the £9.7m savings identified form the exercise in total. One case of fraud had been identified against NHS Greater Glasgow and Clyde although a number of members of staff were under investigation for alleged fraud committed against other public bodies e.g. housing benefit fraud.

The Financial Governance and Audit Manager reported on two cases of fraud recently identified and the outcomes of the investigations.

NOTED

54   AUDIT SUPPORT GROUPS

54(a)   CORPORATE AND PARTNERSHIPS: MINUTES OF MEETING ON 20 AUGUST 2008 [ASG CP (M) 08/03]

NOTED

54(b)   ACUTE: MINUTES OF MEETING ON 13 AUGUST 2008 [ASG A (M) 08/03]

NOTED

55   INTERNAL AUDIT ANNUAL PLAN 2008/2009

A report of PricewaterhouseCoopers (Audit Paper No 08/29) was presented asking Members to approve the amended internal audit annual plan for 2008/2009. Mr Revie (PricewaterhouseCoopers) reminded Members that they had approved the internal audit annual plan for 2008/2009 at the meeting on 10 June 2008. Since then, a number of minor changes were agreed with or requested by management. These were summarised by Mr Revie and Members were asked to approve them.

DECIDED:

That the amended internal audit annual plan for 2008/2009 be approved.

Pricewaterhouse Coopers

56   INTERNAL AUDIT STATUS REPORT 2008/2009

A report of PricewaterhouseCoopers (Audit Paper Ni 08/30) was presented asking Members to note progress against the internal audit

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annual plan 2008/2009. Mr Revie (PricewaterhouseCoopers) explained that the internal audit focus had been on concluding the internal audit plan for 2007/2008 and allowing the audit of the annual accounts to be concluded. Work on the 2008/2009 plan would be carried out in the period August 2008 to March 2009. Work had commenced on a number of audits which were listed in the report and these could be expected to be reported to the next meeting of the Audit Committee.

NOTED

57   SCHEDULE OF MEETINGS FOR 2009

A report of the Financial Governance and Audit Manager (Audit Paper No 08/33) was presented asking Members to approve a proposed schedule of meetings for the Audit Committee in 2009.

DECIDED:

That the schedule of Audit Committee meetings for 2009 be approved.   **Financial Governance and Audit Manager**

58   DATE OF NEXT MEETING

The next meeting was scheduled for Tuesday 11 November 2008 at 9.30 a.m.

The meeting ended at 12.50 p.m.