A (M) 11/05
Minutes: 46 – 52

NHS GREATER GLASGOW AND CLYDE

Minutes of a Meeting of the
Audit Committee
held in the Boardroom,
J B Russell House, Gartnavel Royal Hospital,
on Tuesday, 21 June 2011 at 9.30 a.m.

PRESENT
Mrs E Smith (Chair)
Mr P Daniels OBE
Dr M Kapasi MBE
Mr I Lee
Dr R Reid
Mr D Sime
Mr K Winter

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 P Ramsay  Head of Operational Financial Services
Mr M Sheils  Deputy Head of Operational Financial Services
Mr M White  PricewaterhouseCoopers
Mr D McConnell  Audit Scotland
Mr J Rundell  Audit Scotland

ACTIONS

46 APOLOGIES
Apologies were intimated on behalf of Cllr J Handibode and Mrs J Murray.

47 MINUTES
On the motion of Mr Sime, seconded by Mr Winter, the Minutes of the meeting on 7 June 2011 [A (M) 11/04] were approved as a correct record and signed by the Convener.

48 MATTERS ARISING FROM THE MINUTES
In reply to a question by the Convener in respect of Minute 41, the Financial Governance and Audit Manager confirmed that the Statements of Assurance had all been signed.
49 DRAFT STATEMENT OF ACCOUNTS 2010/11

A report of the Director of Finance (Audit Paper No 11/23) was presented asking Members to consider the draft Statement of Accounts in respect of NHS Greater Glasgow and Clyde for the year ended 31 March 2011 and, if satisfied, recommend that:

1. the Statement of Accounts be adopted by the NHS Board;
2. the Chief Executive sign the Directors’ Report and Remuneration Report;
3. the Chairman and Director of Finance sign the Statement of Health Board Members’ Responsibilities in respect of the Accounts;
4. the Chief Executive sign the Statement of Internal Control;
5. the Chief Executive and Director of Finance sign the Balance Sheet;
6. the Statement of Accounts be submitted to the Scottish Government Health Directorates.

The Director of Finance drew Members’ attention to page 10 of the Directors’ Report and described how the Board had achieved its three financial targets in terms of the Revenue Resource Limit, the Capital Resource Limit and the Cash Requirement. The achievement of these targets had been confirmed in the audit of the accounts. There had been previous discussion with Members over the accounting treatment of a particular property transaction but agreement had been reached with Audit Scotland and the transaction was reflected appropriately in the accounts.

The Director of Finance drew Members’ attention to the following key elements of the Accounts:-

- The Statement of Comprehensive Net Expenditure and Summary of Resource Outturn including the analysis of income and expenditure into core and non-core elements;
- The Balance Sheet;
- The Cash Flow Statement;
- The Statement of Changes in Taxpayers’ Equity.

The Director of Finance then summarised the key elements in the Notes to the Accounts with particular emphasis on the following:-

- Note 1 – Accounting Policies. In reply to a question from Mr Lee, the Director of Finance explained that the policy on depreciation remained unchanged but the method of estimating asset lives had changed.
- Note 2 (a) – Staff Numbers and Costs. Staff numbers had reduced during 2010/11 reflecting the Financial Plan.
- Note 2 (b) – Higher Paid Employees Remuneration. Further work was required to allow a full and proper comparison between the 2009/10 and 2010/11 figures. In response to questions from Members, the Director of Finance undertook to add an explanatory footnote to the accounts.

Head of Operational Financial Services
(Cont’d.)

- Note 3 – Other Operating Costs. The Director of Finance described the reason for the increase in impairments on property, plant and equipment.

- Note 6 – Administration Costs. An adjustment was required to the figure shown for Health Planning, Commissioning and Performance Reporting to re-allocate a sum to Health Promotion in Note 7 – Other Non Clinical Services.

- Note 7 – Other Non Clinical Services. In reply to a question from Mr Winter on the planned reduction on taxi costs, the Chief Executive described how savings in taxi costs had been targeted and achieved in 2010/11. The Director of Finance commented on a small number of technical adjustments which had been required in respect of Pension Enhancement and Redundancy citing as an example, a change in the discount rate.

- Note 9 – Analysis of Capital Expenditure. The Director of Finance noted the capitalisation of expenditure in respect of the secure unit at Stobhill.

- Note 11 (b) – Tangible Fixed Assets. A number of minor adjustments were required in respect of assets under construction.

- Note 13 – Trade and Other Receivables. Increase in Receivables were noted in respect of two property disposals. Mr Lee commented on the receivables assessed as individually impaired in respect of health bodies in other parts of the United Kingdom and the Director of Finance described the types of circumstances which could result in delays and difficulties in obtaining payment from such bodies.

Mr Winter commented that while staff numbers had decreased, salary costs appeared to have increased and referred to the target set by the Scottish Government to reduce the number of senior managers by 25% by 2014. The Director of Finance explained that the increase in salary costs was the result of the pay increase to staff under Agenda for Change, including incremental pay progression and additional costs which related to assimilation of staff onto Agenda for Change payscales.

The Chief Executive described the Board’s progress to date in reducing the numbers of senior managers and the on-going work to achieve the Scottish Government’s target.

Mr Lee commented on a property disposal and whether it merited inclusion in the section of the Operating and Financial Review which dealt with the Acute Services Review. The Chief Executive explained that a report on the property transaction would be presented to the Quality and Performance Committee in July 2011 which would provide further details.

In response to a suggestion by Mr Winter, the Director of Finance agreed to change the wording of the final sentence on page 10 –
49  (Cont’d)  
Operating and Financial Review>

DECIDED:

1. That the Statement of Accounts be adopted by the NHS Board;
2. That the Chief Executive sign the Directors’ Report and Remuneration Report;
3. That the Chairman and Director of Finance sign the Statement of Health Board Members’ Responsibilities in respect of the Accounts;
4. That the Chief Executive sign the Statement of Internal Control;
5. That the Chief Executive and Director of Finance sign the Balance Sheet;
6. That the Statement of Accounts be submitted to the Scottish Government Health Directorates.

A report of the Director of Finance (Audit Paper No 11/24) was presented asking Members to approve the draft Letter of Representation 2010/11 for signature by the Chief Executive. The Director of Finance explained that International Standards of Auditing required the external auditor to seek assurances of the Chief Executive as Accountable Officer in respect of certain matters relating to the Annual Accounts. The draft Letter of Representation provided these assurances.

The Director of Finance explained that some additional comments had still to be added to the draft Letter and it was agreed that the revised letter be circulated for Members’ approval prior to the meeting of the NHS Board on 28 June 2011 when the Statement of Accounts would be presented for approval.

DECIDED:

That, subject to approval of the additional comments, the draft Letter of Representation be approved for signature by the Chief Executive as Accountable Officer in respect of the 2010/11 Statement of Accounts.

A report of Audit Scotland (Audit Paper No. 11/25) was presented asking Members to note the matters arising from the audit of the Statement of Accounts 2010/11. Mr McConnell (Audit Scotland) explained that this report related to the audit of the financial statements and a Report on the 2010/11 Audit would be presented to the meeting of the Audit Committee on 25 October 2011 setting out any matters in addition to those relating to the Accounts.

Mr McConnell drew Members’ attention to the proposed Audit Opinion included as an Appendix to the report and which was in a slightly revised format. The key point to note was that the report was unqualified in all regards.

A number of matters were however included in the report for Members’
(Cont’d)

attention including the following:-

1. An unqualified contingent liability had been included in the Accounts in respect of equal pay claims.

2. Reference was made in the draft Letter of Representation to the income due in respect of the disposal of the Woodilee site.

3. The disposal of part of the Western Infirmary had been reflected appropriately in the Accounts.

4. The draft Letter of Representation made reference to the valuation of pharmacy stock at 31 March 2011. Mr Rundell (Audit Scotland) explained how perpetual inventory processes had not been in place throughout the year. The Head of Operational Financial Services explained the circumstances contributing to this situation and described the remedial action taken at the year end to address this matter.

5. The accrual of earmarked funding allocations not fully spent by 31 March 2011 was referred to in the draft Letter of Representation. The Director of Finance described the background to the accounting treatment adopted for these particular items. Mr McConnell acknowledged that this was a national matter and would be brought to the attention of the Scottish Government Health Directorates and the Technical Accounting Group (TAG). Mr Lee commented that International Financial Reporting Standards are intended principally for the private sector and supported the suggestion that the matter be referred to TAG.

NOTED

DATE OF NEXT MEETING

The next meeting was scheduled for Tuesday, 25 October 2011 at 9.30 a.m.

The Convener noted that this was the last meeting which the Director of Finance would attend before leaving the Board and Members joined with her in expressing their appreciation for his contribution to the Board and wishing him well for the future.

The Director of Finance reminded Members that this was Mrs Smith final meeting as Convener of the Audit Committee. Members joined with him in thanking Mrs Smith for her significant contribution to the Audit Committee and offered their best wishes for the future. Mrs Smith thanked Members for their kindness and wished to thank the Director of Finance, the Financial Governance and Audit Manger, the internal auditors, PricewaterhouseCoopers, and the external auditors, Audit Scotland, for their support and hard work during her years as Convener of the Audit Committee.

The meeting ended at 10.40 a.m.