

EMBARGOED UNTIL MEETING

AUDIT COMMITTEE: 23 JULY 2002

A (M) 02/3
Notes: 17 - 27

NHS GREATER GLASGOW

**Minutes of a Meeting of the
Audit Committee
held in Boardroom 1,
Dalian House, 350 St Vincent Street, Glasgow,
on Tuesday, 23 July 2002 at 9.30 a.m.**

PRESENT

Professor G C A Dickson (in the Chair)
Mrs E Smith
Councillor D Collins (From Minute 26)
Mr A Haseeb
Mr C Scott
Mr J Thomson

IN ATTENDANCE

Professor D L Hamblen	NHS Board Chairman
Cllr R Duncan	Non-Executive Director
Mrs W Hull	Director of Finance
Mr J M Hamilton	Assistant Director of Finance
Mr A Lindsay	Head of Control & Support Systems
Miss E McLeish	Corporate Reporting Manager
Mr J Hobson	PricewaterhouseCoopers

ACTION BY

17 APOLOGIES

Apologies were intimated on behalf of Cllr J Handibode, Cllr D McCafferty, Mr I Irvine, Mr C D Revie, PricewaterhouseCoopers and Mr A Gray, Deloitte and Touche.

It was agreed that although the meeting was inquorate it should still proceed to discuss the issues on the agenda in anticipation of the subsequent arrival of further Members.

The Convener reminded Members that the meeting presented them with the opportunity to consider the issues discussed at the inquorate meeting of the Audit Committee on 2 July 2002. When quorate, the Committee could homologate the decisions taken at that meeting. The Convener explained how the papers on the agenda related to each other and it was agreed that item 8 on the agenda (External Audit: Report on the Governance Arrangements for the Acute Services Review from August 2001 – January 2002) should be considered after item 9 (Statement of Accounts 2001/2002).

18 NOTES

On the motion of Professor Dickson, seconded by Mr Scott, the Notes of the meeting on 2 July 2002 were noted as a correct record.

ACTION BY

NHS GREATER GLASGOW

- 19 MATTERS ARISING FROM THE MINUTES (NHS GREATER GLASGOW ISSUES)**

There were no matters arising.

GREATER GLASGOW NHS BOARD

- 20 MATTERS ARISING FROM THE MINUTES (GREATER GLASGOW NHS BOARD ISSUES)**

In respect of note 4, Mr Haseeb commented on the level of the external audit fee for 2001/2002 and sought an explanation as to why the fee was above the mid-point of the indicative range of fees. The Director of Finance reminded Members that the level of the external audit fee had been first raised at the meeting of the Audit Committee on 30 April 2002 and that an explanation had been provided to the meeting on 2 July 2002. Mr Hobson, PricewaterhouseCoopers, commented that the level of the fee reflected the degree of complexity in the audit and included an element of the work carried out on the acute services review. Mr Haseeb expressed his dissatisfaction with the decision to accept the fee for the 2001/2002 audit. Members expected to receive the fee for the audit of the 2002/2003 accounts at the meeting of the Audit Committee in the autumn.

In respect of note 15, Mr Haseeb commented on the decision to extend the contract for internal audit services for a further two years and expressed concern over the process. He noted that the matter had not yet been referred to the Audit Committees of all Glasgow NHS Trusts for ratification and expressed the view that an extension for a period of one year would have been preferred. Members commented that the view taken at the previous meeting was that an extension for a period of two years was appropriate and that it had been discussed and agreed by the Trust Directors of Finance. Members agreed that the quality of the service provided was of a high standard and that they would expect the fee to remain fixed at current levels for the period of the extension.

NOTED

- 21 INTERNAL AUDIT ANNUAL REPORT 2001/2002**

A report of Deloitte and Touche (Audit Paper No. 02/22) was submitted commenting on the internal audit programme undertaken during the year ended 31 March 2002 and providing the Audit Committee with an Annual Internal Audit Statement. The Convener commented that this report was unchanged from that presented to the meeting on 2 July 2002 as Audit Paper 02/14.

NOTED

ACTION BY**22****REVIEW OF SYSTEM OF INTERNAL CONTROL 2001/2002**

A report of the Head of Control and Support Systems (Audit Paper No. 02/23) was presented inviting Members to evaluate the NHS Board's system of internal control and report the outcome to the NHS Board at the meeting on 23 July 2002. The purpose of the report was to provide Members with a summary of all relevant sources of evidence to inform their review. The intention of the review was to enable the Audit Committee to provide assurance to the Board that an effective system of internal control was in place and being complied with. This assurance in turn would allow the Chief Executive to sign the Statement of Internal Control which forms part of the Annual Accounts subject to the declaration in the Statement of any areas where internal control is not adequate.

The Convener explained that the report had been amended to reflect the comments made when it was discussed at the meeting on 2 July 2002. The changes related to the formulation of a risk strategy and supporting arrangements, weaknesses in the system of payments for Family Health Services and the Audit Committee arrangements during 2001/2002.

Members noted that a correction was required in the last line of the second paragraph of item 2.1 where "three exceptions" was to be changed to read "two exceptions".

Head of Control & Support SystemsNOTED**23****EXTERNAL AUDIT: FINAL REPORT TO BOARD MEMBERS 2001/2002**

A report of PricewaterhouseCoopers (Audit Paper No. 02/24) was presented commenting on certain of the key matters that arose during the course of the final audit. Mr Hobson, PricewaterhouseCoopers, explained that this document was an updated and expanded version of the report presented to the meeting on 2 July 2002 as audit paper no. 02/16. The following matters were highlighted.

1. The external auditors' true and fair view on the financial statements was unqualified.
2. The regularity opinion was qualified due to deficiencies in the programme of post payment verification of Family Health Services expenditure. The Convener reminded Members that as this problem had been reported in previous years, he had written to the Chief Executive of the Common Services Agency seeking assurance that action was being taken to remedy the deficiencies.
3. Since the establishment of the unified Board and the reorganisation of the Board's committee structure, detailed discussion of financial matters only took place at formal Board meetings. It was noted that Members themselves had commented on this issue at the development day in October 2001 and again in June 2002 and recommendations were to be made to the NHS Board in the autumn.

ACTION BY

4. The Board had not yet finalised its Risk Management Strategy but a timetable and action plan had been agreed to allow the Audit Committee to monitor progress.

Mr Haseeb noted that although the deficiencies in respect of the Family Health Services expenditure had been reported in the previous year, the Board's accounts for that year had not been qualified and he sought an explanation. Mr Hobson, PricewaterhouseCoopers explained that the unified Board now carried an overall collective responsibility and it was therefore appropriate to qualify the Board's accounts in respect of this matter. He agreed with the Director of Finance that this was a constructive qualification as all concerned wished to see improvements in current arrangements. Members concluded that it was the role of the Audit Committee to receive the opinion of the auditors but not to comment on its correctness. Mr Hobson explained that a final decision had still to be taken by the external auditors on whether the regularity qualification would be in respect of income and expenditure or expenditure alone.

**Pricewaterhouse
Coopers**

NOTED**24 STATEMENT OF ACCOUNTS FOR 2001/2002**

A report of the Director of Finance (Audit Paper No. 02/26) was presented asking Members to consider the Annual Accounts for 2001/2002 and if satisfied, to recommend their adoption by the NHS Board. The Convener drew Members' attention to the Statement of Internal Control which formed part of the accounts and which had been amended since it had been first presented to the meeting on 2 July 2002.

Members were reminded that the Review of the System of Internal Control 2001/2002 (Audit Paper No. 02/23) provided the Audit Committee with assurance that adequate controls were in place with the exceptions of the issues relating to risk strategy and Family Health Service expenditure. The Statement of Internal Control had been amended to reflect the changes that had been highlighted in the Review of the System of Internal Control 2001/2002.

The Convener commented that the word "appointed" had been omitted from paragraph 12 on page 111 between "the Auditor General" and "PricewaterhouseCoopers" and that on Note 7, the Chairman of the Board was incorrectly described as an Executive Board Member. It was agreed that both errors would be rectified.

Director of Finance

In response to a question from Mr Haseeb, Mr Hobson, PricewaterhouseCoopers, explained that while the Local Health Council was a separate body from the NHS Board, a separate audit certificate was not required.

NOTED

ACTION BY

25 EXTERNAL AUDIT: REPORT ON THE GOVERNANCE ARRANGEMENTS FOR THE ACUTE SERVICES REVIEW FROM AUGUST 2001 – JANUARY 2002

A report of PricewaterhouseCoopers (Audit Paper No. 02/25) was presented setting out the results of a review of the overall governance arrangements to support the implementation of the Board's Acute Services Review. Members noted that

1. The report was required to ensure that the NHS Board had discharged properly its governance responsibilities.
2. No major issues had been highlighted by the auditors.
3. It was now for Executive Officers of the NHS Board to ensure that any lessons were applied to future exercises.

Mr Thomson commented that the report was useful and noted that the absence of major issues provided comfort given the lack of guidance and precedent for such an exercise.

In response to a question from Mr Haseeb, Mr Hobson, PricewaterhouseCoopers, explained that the review had been partly funded from the annual audit fee for 2001/2002 with the balance being commissioned separately. Mr Hobson emphasised that permission had been sought from and granted by Audit Scotland before the external auditors had accepted this work. Mr Haseeb indicated that he was not happy with such additional work being awarded to the external auditors.

NOTED

26 HOMOLOGATION OF DECISIONS

Cllr Collins joined the meeting and a quorum was achieved. The Convener reminded Members of the discussions during the meeting and invited the Committee to consider and reach a decision on each.

DECIDED:

- (i) That the Notes of the meeting of Audit Committee Members on 2 July 2002 (attached) were a correct record and the decisions contained therein were homologated;
- (ii) The Internal Audit Annual Report 2001/2002 be noted;
- (iii) That the Review of System of Internal Control – 2001/02 be submitted to the NHS Board with a recommendation that the Chief Executive should sign the Statement of Internal Control subject to the statement declaring the position in respect of a risk management strategy and payments for Family Health Services with reference also being made to the arrangements for the Audit Committee during 2001/2002;
- (iv) That the Final Report to Board Members by the external auditors should be submitted to the NHS Board;

Convener**Pricewaterhouse
Coopers**

EMBARGOED UNTIL MEETING

AUDIT COMMITTEE: 23 JULY 2002

ACTION BY

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| (v) That subject to the changes agreed and minuted, the Audit Committee recommend to the NHS Board the adoption of the Annual Accounts for 2001/02; | Director of Finance |
| (vi) That the report by the external auditors on the Governance Arrangements for the Acute Services Review from August 2001 – January 2002 be noted. | |

27 DATE OF NEXT MEETING

Members commented on the difficulties that had been encountered in achieving a quorum at both this meeting and the previous one. It was agreed that there should be no repeat of these difficulties and in future, all matters relating to the annual accounts should be presented, where possible, to the Audit Committee before the end of June, thereby removing the need to convene meetings in July.

The date of the next meeting was to be confirmed. A schedule was to be prepared of the dates of the Audit Committee meetings for the next year and submitted to the next meeting for approval.

Head of Control & Support Systems

Head of Control & Support Systems

The meeting ended at 10.30 a.m.