

A (M) 02/4
Minutes: 28 - 40

NHS GREATER GLASGOW

**Minutes of a Meeting of the
Audit Committee
held in Boardroom 1,
Dalian House, 350 St Vincent Street, Glasgow,
on Tuesday, 1 October 2002 at 11.00 a.m.**

PRESENT

Councillor D McCafferty (in the Chair)
Councillor D Collins
Councillor J Handibode
Mrs E Smith
Mr A Haseeb (from Minute 33)
Mr I Irvine
Mr C Scott
Mr J Thomson

IN ATTENDANCE

Mrs W Hull	Director of Finance
Mr J C Hamilton	Head of Board Administration
Mr A Lindsay	Head of Control & Support Systems
Mr A Gray	Deloitte and Touche
Mr S Kelly	Deloitte and Touche
Mr C D Revie	PricewaterhouseCoopers
Mr J Hobson	PricewaterhouseCoopers

ACTION BY

28 APPOINTMENT OF CHAIRMAN

Following the appointment of Professor G C A Dickson as Interim Chairman of the NHS Board, Cllr D McCafferty agreed to chair the Audit Committee until 31 May 2002.

29 APOLOGIES

An apology was intimated on behalf of Mr A Haseeb who would be unable to be present at the start of the meeting but who hoped to join the meeting at a later stage.

30 MINUTES

On the motion of Cllr McCafferty, seconded by Mr Thomson, the Minutes of the meeting on 23 July 2002 were noted as a correct record and signed by the Convener.

NHS GREATER GLASGOW

31 INTERNAL AUDIT PROGRESS REPORTS

- (i) PAN GLASGOW REVIEWS**
- (ii) STATUS OF TRUST AUDIT PROGRAMMES**

Two reports of Deloitte and Touche (Audit Paper No 02/27) were presented describing progress in respect of the internal audit reviews being carried out on a pan Glasgow basis and setting out progress against the internal audit programmes in the NHS Trusts in Glasgow.

In respect of the first report, Mr Gray, Deloitte and Touche, reported that three reviews were being carried out on a pan Glasgow basis. These related to the capital approval process, the new clinical standard on Hospital Associated Infection and the requirements of the Data Protection Act 1998 and the Caldicott Guidelines. Mr Gray reported on the status of each review.

With regard to the second report, Mr Gray explained that in accordance with the ways of working agreed at the inaugural meeting of the Committee the report contained a summary of the progress against the internal audit plan for each Trust and described any significant issues. One such issue related to the follow up of the implementation of the recommendations arising from an estates report for South Glasgow University Hospitals NHS Trust. Mr Thomson reported on the actions taken by the Trust's Audit Committee in respect of this follow up audit.

It was noted that the Audit Committees of North Glasgow University Hospitals NHS Trust and Greater Glasgow Primary Care NHS Trust had not met since the last meeting of the NHS Greater Glasgow Audit Committee. Cllr Collins commented that the timing of meeting was a key issue to allow the opportunity for matters to be discussed at Trust level before being reported to the NHS Greater Glasgow Audit Committee.

NOTED

**32 EXTERNAL AUDIT REPORT ON NHS GREATER GLASGOW
2001/2002**

A report of PricewaterhouseCoopers (Audit Paper No. 02/28) was presented setting out certain of the key matters arising from the audits of the constituent bodies within NHS Greater Glasgow 2001/2002. Mr Revie, PricewaterhouseCoopers, explained that the purpose of the report was to provide Members of the Committee with a high level view of the position within NHS Greater Glasgow and he commented on a number of matters including the following.

- (i) Audit Opinions

Mr Revie reminded Members that the audit opinion in respect of both the Primary Care Trust and the NHS Board had been qualified as a result over deficiencies in the process of post payment verification of Family Health Services expenditure. He

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advised Members that while progress had been made, adequate process would not have been in place throughout the current year and therefore, the qualification was likely to remain for 2002/2003. The Head of Board Administration reported that the previous Convener had written to the Chief Executive of the Common Services Agency (CSA) to seek assurance that action was being taken to address this matter. This assurance had now been received and the Primary Care Trust was in turn being asked to provide assurance that the actions required of it were being delivered to allow the CSA to achieve its targets.

(ii) Statements of Internal Control

Mr Revie explained that the key matters which had been declared in the Statements of Internal Control were the frequency of Audit Committee meetings, the lack of a formal Risk Management Strategy for the NHS Board and weaknesses in the process for Family Health Services expenditure.

(iii) Implementation of Recommendations

Mr Revie reported that a high percentage of the recommendations made in respect of the 2000/2001 audit had already been implemented. Implementation of the remaining recommendations was on going.

(iv) Number of Recommendations

Mr Revie reported that 2001/2002 had been the first year that PricewaterhouseCoopers had undertaken the audit of the Primary Care Trust and noted that no high priority recommendations had been made for that Trust or for Yorkhill NHS Trust.

In response to a question from Cllr Collins in respect of monies owed by Argyll and Clyde NHS Board, the Director of Finance explained that the matter had been reported to the Scottish Executive Health Department Director of Finance and a response was awaited. Both Mrs Smith and Mr Thomson confirmed that this matter had received the full attention of the South Glasgow University Hospitals NHS Trust Management Team but efforts to achieve settlement had been frustrated. Mr Irvine reported a similar position in North Glasgow University Hospitals NHS Trust. Cllr Collins expressed concern that patient care should not be compromised by this matter and Mrs Smith confirmed that Argyll and Clyde patients continued to be accepted for treatment despite the on going issue of non-payment of monies due. It was agreed that the Committee should monitor this situation.

Director of Finance

In response to a question from Cllr Handibode, the Director of Finance explained that the underspend of £0.736 million reported for 2001/2002 related to schemes which had not been completed as planned and confirmed that these funds had been carried forward to allow the schemes in question to be completed in 2002/2003.

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33 EXTERNAL AUDIT OUTLINE PLAN FOR NHS GREATER GLASGOW 2002/2003

A report of Deloitte and Touche (Audit Paper No., 02/29) was presented to describe the approach to be taken to the audits of the constituent bodies of NHS Greater Glasgow in 2002/2003. Mr Revie, PricewaterhouseCoopers, explained that while the plans for individual Trusts had not yet been presented to the respective Audit Committees for consideration, this report was presented to demonstrate that a consistent approach would be adopted across NHS Greater Glasgow. Mr Revie then highlighted key elements of the audit approach including the review of overall governance arrangements, risk based planning and the timetable. With regard to performance audit, Mr Revie explained that the timing of the issue of reports was dependant on contribution of others and was therefore outwith the direct control of the external auditors. This could result in the target dates of May and June 2003 for performance audits not being met.

There was discussion of the difficulties that could be involved in meeting a deadline of 30 June 2003 for the completion of the audit of NHS Board's annual accounts and approval of the accounts themselves. It was agreed that the Director of Finance would raise this issue with the Glasgow Directors of Finance. In response to a question from Mr Haseeb, Mr Revie confirmed that the quality of the documents put forward for audit was high but added that this factor would not alter the degree of difficulty in meeting an earlier deadline.

Director of Finance

In response to a request for clarification of the external audit fees shown in the report, Mr Revie explained in full why the fees were set at the level shown within the range agreed by Audit Scotland. There was lengthy discussion of the level of fees. The Convener summed up this discussion by stating that there was a majority in support of the proposed fees and these should be accepted subject to discussion with Trusts.

**Pricewaterhouse/
Coopers**

In conclusion, Mr Hobson, PricewaterhouseCoopers, drew Members attention to the personnel who made up the audit team for each body.

NOTED

GREATER GLASGOW NHS BOARD

34 ANNUAL REVIEW OF CORPORATE GOVERNANCE 2002

A report of the Director of Finance, Head of Board Administration and the Head of Control and Support Systems (Audit Paper No. 02/30) was presented setting out the changes proposed to the documents which set out the NHS Board's corporate governance framework and including copies of these documents. The Director of Finance reminded Members that the report had been the subject of a seminar immediately prior to the meeting when the following had been agreed in respect of the following documents.

Standing Orders for the Proceedings and Business of the NHS Board:
Approved

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Register of Board Members' Interests:

Approved

Register of Staff Interests:

Approved

Committee Arrangements:

Approved subject to the following change. The Remit of the Audit Committee should be amended at paragraph 2 of Composition to read "The Convener will be appointed from one of the **five** Members drawn from the Board."

Decisions Reserved for the Board:

Approved.

Ethical Standards in Public Life – Code of Conduct for Members:

Approved

Standing Financial Instructions:

Approved subject to the following change. The reference at paragraph 15.5.1 should be changed from 10.2.7 to 10.2.8.

Guidance to Support Standards of Business Conduct:

Approved.

Fraud and Corruption Response Plan:

Approved

The Director of Finance invited Members to provide any further comments to the Head of Control and Support Systems prior to the issue of the papers for the meeting of the NHS Board on 22 October 2002.

Cllr Collins suggested that the Corporate Governance Framework should be produced in the format of a loose leaf Corporate Governance Handbook for ease of reference. This was agreed.

DECIDED:

That the Annual Review of Corporate Governance 2002 be submitted to the NHS Board for approval on 22 October 2002 subject to the agreed changes.

**Director of Finance
Head of Board
Administration
Head of Control &
Support Systems**

35 CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)

A report of the Director of Finance (Audit Paper No 02/31) was presented setting out the arrangements put in place to allow the NHS Board to seek accreditation at Level 1 Standard of CNORIS. The Director of Finance explained that Members were being asked to consider the draft Risk Management strategy and if agreed, to endorse its submission to the NHS Board subject to any agreed changes, Members were also asked to note the Register of Risk which

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was attached to the report together with details of the assessment process for the level 1 standards. Members were reminded that they had considered this report as part of a seminar immediately prior to this meeting when it was agreed that the following matters would be addressed during the next phase of preparation for assessment against CNORIS standards.

1. The Register of Risk should be amended to reflect the effects of litigation (particularly, class actions). **Director of Finance**
2. References to political influence should be clarified.
3. The views of Non Executive Directors should be incorporated into the register of risk.
4. Action plans should be in place to address all risks.

DECIDED:

1. That the Draft Risk Management Strategy be endorsed and submitted to the NHS Board for approval. **Director of Finance**
2. That the Register of Risk be noted.

36 INTERNAL AUDIT PROGRESS REPORT SEPTEMBER 2002

A report of Deloitte and Touche (Audit Paper No 02/32) was presented commenting on the status of the internal audit plan for the NHS Board as at September 2002 and summarising the key findings from the reports discussed and agreed with management. Mr Gray, Deloitte and Touche, commented that one report had been finalised since the last meeting of the Audit Committee and that related to Property Transaction Monitoring.

The report on Property Transaction Monitoring was the subject of a separate paper to the Committee (Audit Paper No. 02/33) and dealt with the transaction relating to the health promotion store at 8 Houston Place, Glasgow. Mr Gray summarised the main findings from the report. The transaction itself was small in scale and the NHS Board had been forced into negotiation of a new lease by the liquidation of the mid landlord. The need to maintain continuity of occupancy (and therefore service) meant that the transaction did not fully comply with the requirements of the NHS Scotland Property Transaction Handbook. In accordance with the Handbook, the transaction had therefore been awarded a grading of "B" (i.e. there were reservations on how the transaction was concluded). Mr Gray commented that this grading should be viewed in the context that the transaction was not material.

Mr Gray then reported on the conclusions from the Information Security Risk Assessment and Gap Analysis. The overall conclusion was that a grade of C had been awarded (i.e. controls were adequate although some system weaknesses were identified). Mr Gray commented that this represented good progress in comparison to other organisations both within and outwith the NHS.

Mr Gray reminded members of the input of the internal auditors to the development of a draft Risk Management Strategy, facilitation of a workshop, and together with the external auditors, PricewaterhouseCoopers, the development of a register of risk. He

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reported that the internal auditors had also provided assistance to develop an NHS Greater Glasgow procedure for the approval and monitoring of capital projects and as a result, the review of the development of the Local Health Plan would now be reported to the next meeting of the Audit Committee.

Deloitte & Touche

NOTED

37 PROPERTY TRANSACTIONS MONITORING 2001/2002

A report of Deloitte and Touche (Audit Paper No. 02/33) was presented setting out the results of the review by the internal auditors of the property transactions concluded by the NHS Board in 2001/2002. Mr Gray, Deloitte and Touche, had highlighted the key issues during his commentary on the Internal Audit Progress Report September 2002 (Audit Paper 02/32).

DECIDED:

That the report on Property Transactions Monitoring 2001/2002 be approved and submitted to the Scottish Executive Health Department in accordance with the NHS Scotland Property Transactions Handbook.

Head of Control & Support Systems

38 EXCEPTIONS TO TENDER

A report of the Director of Finance (Audit Paper No. 02/34) was presented giving details of all cases where the requirement to obtain competitive quotations or tenders for the supply of goods and services had been waived during the period 1 June 2002 – 31 August 2002.

In response to a question from Mrs Smith, the Head of Control summarised at high level the processes for approval of contributions by the Directorate of Health Promotion to organisations and projects. Members discussed the nature of some of the projects and initiatives which were funded and it was noted that it was sometimes necessary to engage with groups or individuals not high in organisational skills. In this context, Members agreed that it was important that there were robust arrangements in place

1. to address the risks to the reputation of the NHS Board if funding was awarded to an inappropriate group;
2. to protect staff;
3. to establish the need for a particular service or initiative;
4. to monitor performance;
5. to evaluate health outputs;
6. to demonstrate that a contribution to an organisation or project represented value for money;
7. to ensure where appropriate, payment is made by instalments rather than by a lump sum paid in advance.

It was agreed that future reports on exceptions to tenders should contain more information to provide more context for example, annual costs, the extent of the commitment and details of other bodies providing funding to the same organisation or project. It was also agreed that a further report would be provided on the processes

Head of Control & Support Systems

Head of Control & Support Systems

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within the Directorate of Health Promotion to determine the allocation of funds, to monitor usage and to evaluate outcomes.

NOTED

39 DATE OF NEXT MEETING

DECIDED:

That the next meeting of the Committee be scheduled for Tuesday, 28 January 2003 at 9.30 a.m. in Board Room 1, Dalian House.

40 OTHER BUSINESS

In response to a request from Mr Haseeb, Members agreed to receive comments on the Minutes of the meeting of the Committee on 23 July 2002. (A (M) 02/3) which had been approved earlier in the meeting. Mr Haseeb commented on the following matters.

Minute 20 – Matters Arising from the Minutes (Greater Glasgow NHS Board Issues)

Mr Haseeb felt that the Minutes did not explain his dissatisfaction with the decision to accept the external audit fee. This dissatisfaction was based on his view that it had not been correct to create the impression that there had been no room to negotiate the fee because it was too late as the audit work was complete.

With regard to his position on the decision to extend the contract for internal audit services, Mr Haseeb wished it made clear that he had advocated an extension of one year in the interests of good governance and not based on the quality of the audit service. He was very happy with the quality of the internal audit service.

Minute 23 – External Audit: Final Report to Board Members 2001/2002

Mr Haseeb had originally commented on the apparent inconsistency in the fact that given the existence of the same issue over both periods, the NHS Board's annual accounts had been qualified for 2001/2002 when the accounts of GGHB for the previous year had not been qualified. He felt that the Minute of that meeting did not reflect his point that the Unified Board only came into existence half way through the year and internal control at the Common Services Agency had improved since 2000/01.

Minute 25 – External Audit: Report on the Governance Arrangements for the Acute Services Review from August 2001 – January 2002

Mr Haseeb felt that the Minute did not reflect the reason for his concern over the award of additional non audit work to the external auditors. He wished the Minute to show that his concern was based on the potential for perceived conflict of interest and that the Chief Executive should be aware of these concerns.

EMBARGOED UNTIL MEETING

AUDIT COMMITTEE: 1 OCTOBER 2002

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Mr Revie, PricewaterhouseCoopers, commented that this view was contrary to the views of Scottish Executive Health Department and the Auditor General.

It was agreed to record these comments. The Convener concluded by stating that Members should take it for granted that their comments will be summarised for the purposes of the Minutes and should a Member however wish their comments to be recorded verbatim, they should make such a request prior to their statement(s).

Members

The meeting ended at 12.30 p.m.