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Minutes: 1 - 10

NHS GREATER GLASGOW

**Minutes of a Meeting of the
Audit Committee
held in Board Room 1,
Dalian House, 350 St Vincent Street, Glasgow,
on Tuesday, 9 March 2004 at 9.30 a.m.**

PRESENT

Mr C Scott (in the Chair)
Cllr D Collins
Mr P Hamilton
Cllr J Handibode
Mr A Haseeb
Mr I Irvine
Mrs E Smith
Mrs A Stewart MBE

IN ATTENDANCE

Mrs E Borland	Acting Director of Health Promotion
Mr J C Hamilton	Head of Board Administration
Mr J M Hamilton	Assistant Director of Finance
Mr A Lindsay	Head of Control & Support Systems
Mr P McGinty	Deloitte
Mr S Kelly	Deloitte
Ms L Bryson	Deloitte
Mr M Thomson	PricewaterhouseCoopers

ACTION BY

1 APOLOGIES

Apologies were intimated on behalf of Mrs W Hull, Director of Finance and Mr C D Revie, PricewaterhouseCoopers. The Convener welcomed the Acting Director of Health Promotion and Ms L Bryson, Deloitte, to the meeting.

2 MINUTES

On the motion of Mr Scott, seconded by Mr Irvine, the Minutes of the meeting on 30 September 2004 were noted as a correct record and signed by the Convener.

3 MATTERS ARISING FROM THE MINUTES

In respect of Minute 28, the Audit Committee had sought assurances that the overall programme management framework for the implementation of the Acute Services Project was satisfactory. The

Head of Board Administration reported that the arrangements for management of the implementation of the Acute Services Project had been the subject of two reports to the NHS Board in November 2003 and January 2004 and at the latter meeting, the external auditors reported on the key governance aspects.

4 EXTERNAL AUDIT INTERNAL CONTROLS REPORT 2003/2004

A report of PricewaterhouseCoopers (Audit Paper No 04/01) was presented giving details of the issues identified by the external auditors during work carried out in January 2004 as part of the statutory audit of the NHS Board's annual accounts for 2003/2004. Mr Thomson (PricewaterhouseCoopers) explained that the work carried out consisted of a review of the financial governance arrangements within the NHS Board focussing on internal audit, financial management and budgetary control, prevention and detection of fraud and corruption, the legality of financial transactions and the rotational review of key systems of financial control.

In response to questions from Cllr Collins, Mr Thomson explained that the areas included in the external audit work were set out in the annual service plan that was agreed in advance by the Audit Committee. The Convener noted that pan Glasgow audits were included in the cycle of audit work agreed by the Directors of Finance.

Mr Thomson commented on the key issues from the Internal Controls Report including the following matters.

1. Progress against the internal audit annual plan; Mr Thomson commented that at the time of the external audit work, a number of internal audit assignments had not been concluded but work was scheduled to complete the internal audit annual plan by 31 March 2004;
2. The need to comply with the statutory obligations imposed the Adults with Incapacity (Scotland) Act 2000; Members agreed that this matter should be discussed when the internal audit progress report was considered later at the meeting;
3. Monitoring arrangements for the service level agreement (SLA) between the NHS Board and North Glasgow University Hospitals NHS Trust for the provision of financial accounting services by the Trust.

In response to questions from Mr Hamilton and Mrs Stewart, the Assistant Director of Finance confirmed that a SLA had been in place for two years, that meetings were held quarterly when performance against the SLA was reviewed and that a formal record would now be made of these meetings. The Assistant Director of Finance noted that work by both external and internal auditors had not identified any significant issues. In response to a question from Mr Haseeb, Mr Thomson confirmed that the required monitoring of the SLA was being carried out but required to be better evidenced.

NOTED

5 EXTERNAL AUDIT FOLLOW UP REPORT 2003/2004

A report of PricewaterhouseCoopers (Audit Paper No 040/2) was presented giving details of a review by the external auditors of the implementation of agreed recommendations arising from the 2002/2003 audit. Mr Thomson (PricewaterhouseCoopers) commented that of eleven recommendations, five had been fully implemented and one had been partially implemented with work ongoing to complete implementation. In respect of the remaining five recommendations, Mr Thomson commented that these were longer term in nature and progress was being made on implementation of these. Mr Thomson summarised the position as positive and noted that the overall number of recommendations was small for an organisation of the size of the NHS Board.

Following a question from Cllr Collins on the areas covered by audit, Members noted the pan Glasgow reviews being undertaken by the internal auditors and Mr McGinty (Deloitte) undertook to submit to the Committee as early as possible the internal audit plan for 2004/2005.

Deloitte

In response to a question from Cllr Handibode, Mr Thomson reported that of the five longer-term recommendations, one had now been implemented and two should be completed during 2004. The remaining two recommendations related to monitoring of the ACAD Project and Acute Services Project and Mr Thomson commented that the long term nature of these projects meant that they would remain on the external audit agenda as on-going items. There was discussion of the role of audit in long term projects and in response to a question from Mr Hamilton, Mr Thomson explained that external audit had reviewed the control environment in respect of the ACAD project but were not in a position to comment on changes driven by clinical need which impact on the costs of the project,

Cllr Collins commented on the need for robust financial planning and management regimes to be in place in advance of the start of projects and the implications of moving to single system working from 1 April 2004. In response to questions from Mr Hamilton and Mrs Stewart in respect of single system working, the Head of Board Administration commented that the Director of Finance of the NHS Board met regularly with her counterparts at the NHS Trusts to advance the key strategic issues such as the transition to a single financial ledger. The Assistant Director of Finance explained in response to a question from Mr Hamilton that while for contractual reasons, one NHS Trust could not migrate to the single ledger until 2007, links had been established to allow the transfer and consolidation of data.

NOTED

6 INTERNAL AUDIT PROGRESS REPORT

A report of Deloitte (Audit Paper No 04/03) was presented setting out progress against audit programmes in respect of the NHS Trusts and the NHS Board. Mr McGinty (Deloitte) commented on the key issues from the report in respect of pan Glasgow work and assignments at NHS Trusts.

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1. Pan Glasgow work had included reviews of PAYE and payroll. In respect of PAYE, a number of compliance issues had been identified none of which was individually significant. In respect of these issues, the Assistant Director of Finance reported that a single pan Glasgow P11D dispensation and PAYE settlement agreement were being pursued with the Inland Revenue. In respect of payroll, Mr McGinty commented on the need for a more robust means of maintaining lists of authorised signatories and more timely notification of leavers to avoid overpayments being made. In response to a question from Cllr Handibode, the Assistant Director of Finance confirmed that there was a common payroll system in operation throughout NHS Greater Glasgow.
2. Key issues emerging from work at NHS Trusts included control of nurse banks and the recording and reporting of waiting times. Mr McGinty reported that management action had been taken in respect of both issues and commented that the issue of waiting times should be viewed in the context of an embryonic system within the NHS Trust concerned and the anticipated issue of formal national guidance.

Mr Kelly (Deloitte) commented on the internal audit work carried out at the NHS Board.

1. Significant support had been given to the development of the new committee structure, Standing Financial Instructions and the Fraud and Corruption Policy and Response Plan.
2. In accordance with the requirements of the Scottish Executive, a review had been carried out to ensure that the assessment of Senior Managers' performance and subsequent pay awards had been carried out in compliance with the regulations. The review found that the NHS Board had complied with the regulations and the process had been undertaken in an open and transparent manner.
3. A review was in progress of the NHS Board's arrangements for monitoring the operational and financial performance of funded bodies. The interim findings indicated a need for improved control, management and oversight. Fieldwork was due for completion in March 2004 with a draft report to be issued shortly thereafter.
4. A review had been undertaken of the extent of the NHS Board's compliance with the Code of Practice for Supervisory Bodies issued in respect of Part 4 of Adults with Incapacity (Scotland) Act 2000 (the Act). Mr Kelly reported that limited progress only had been made in respect of arrangements to demonstrate compliance with Part 4 of the Act. Mr Kelly commented that existing arrangements for managing patients' funds were sufficient to protect the patients' interests and that key points were already being addressed by management. The Head of Control and Support Systems confirmed that the requirements of Part 4 of the Act were in addition to the existing arrangements and delay in achieving full implementation did not expose patients' funds to additional risk. In response to a request by Cllr Handibode that action be accelerated to achieve full compliance with Part 4 of the Act, the Head of Control and Support Systems explained the

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actions which were being taken and tabled an action plan which would ensure a programme was in place by 31 March 2004 to ensure full compliance as early as possible in 2004.

Head of Control & Support Systems

Mr McGinty concluded by reporting on overall input against the internal audit plan and in response to a question from Mr Haseeb, confirmed that sufficient resources were available to allow the plan to be completed.

Deloitte

NOTED

7 EXCEPTION TO TENDER

A report of the Director of Finance (Audit Paper No. 04/04) was presented giving details of those cases where the requirement to obtain competitive quotations or tenders had been waived during the period 1 October 2003 – 31 December 2003. The Head of Control and Support Systems provided further background to two transactions relating to a network upgrade programme in respect of health centres. Mr Kelly (Deloitte) reported that an internal audit review of the procedures underlying the exceptions to tender process would commence in March 2004.

Deloitte

The Head of Board Administration drew Members' attention to the revised Standing Financial Instructions that formed part of a subsequent item on the Agenda and invited comment on the appropriateness of £15,000 as the threshold above which competitive quotations and tenders were required. Following discussion, Members agreed that the threshold of £15,000 was appropriate.

In response to a question from Mrs Smith, the Head of Control and Support Systems agreed that future reports would clearly state the grounds on which the requirement to obtain competitive quotations or tenders had been waived.

Head of Control & Support Systems

Members then discussed the transaction relating to the distribution to the public and staff of "Health News" and it was agreed that the Director of Corporate Communications should be asked to write to Members to provide further details of the transaction before the next meeting of the Audit Committee.

Director of Corporate Communications

In response to a question from Mrs Smith, the Head of Board Administration explained that under the NHS Board's Scheme of Delegation, the Acting Director of Health Promotion was authorised to approve exceptions to the tender process.

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8 ARRANGEMENTS FOR FUNDING PROJECTS/BODIES

A report of the Director of Finance (Audit Paper No 04/05) was presented enclosing a draft checklist for the purpose of authoring projects. The Head of Control and Support Systems explained that the draft checklist had been prepared to ensure all material issues were considered before authorisation for a project was sought and that there were adequate processes for the monitoring and control of projects. Members' attention was drawn to the lists of projects and voluntary

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bodies funded by the NHS Board which were attached to the report as Appendix 2

The Acting Director of Health Promotion commented that a range of projects would be captured by the checklist and the NHS Board was rarely the sole provider of funds; it would be necessary to ensure that the checklist was suitable for all. The Acting Director of Health Promotion went on to explain the mechanisms which were in place to monitor and control projects including service level agreements, regular and frequent meetings between the project management and Health Promotion staff, quarterly and annual reports. In the case of jointly funded Healthy Living Centres, criteria had been agreed by the joint funders to determine which projects would continue to be funded. The Acting Director of Health Promotion added that it had been these control mechanisms which had alerted Health Promotion staff to problems in those projects which the internal auditors had been invited to review. In response to a question from Mrs Smith, the Acting Director of Health Promotion commented that approximately 60 projects currently received funding in excess of £20,000 per annum and undertook to provide further details to the next meeting of the Committee. In response to questions from Cllr Handibode on the need to secure value for money and from Mrs Smith on the need for support, the Acting Head of Health Promotion explained that a review had been commissioned to identify the needs of projects in terms of support on issues such as human resources and finance.

Acting Director of Health Promotion

In response to a question from Cllr Collins, the Head of Control And Support Systems agreed to amend the checklist to provide clearer information on the phasing of payments.

Following comments from Cllr Collins on the management of projects by local authorities, Members discussed a number of other matters relating to the management of projects including

1. the need to identify the full extent of financial commitment;
2. the need to define responsibility where a project was funded by bodies other than the NHS Board;
3. the potential impact upon jobs and health improvement activity in local communities where funding was withdrawn from a project.

It was agreed that the internal auditors should comment on the draft checklist when they finalised their report on the funding of voluntary bodies.

Deloitte

DECIDED:

That subject to comments by Members and the internal auditors, the draft Project Authorisation Checklist be approved for implementation from 1 April 2004.

Head of Control and Support Systems

9 PARTNERSHIP FOR CARE – CORPORATE GOVERNANCE FRAMEWORK FOR TRANSITIONAL ARRANGEMENTS

A report of the Head of Board Administration (Audit Paper No. 04/06) was presented giving details of the corporate governance framework and the transitional arrangements towards single system working. The Head of Board Administration explained that these arrangements

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included

1. Development of corporate governance documentation including Standing Financial Instructions (SFIs);
2. Development of transitional Committee structures and arrangements;
3. The process for approval of the 2003/2004 financial statements;
4. Arrangements for the dissolution of Trusts and continuing responsibilities.

In respect of SFIs, the Head of Board Administration explained that approval of SFIs was a matter reserved for the NHS Board but Members now had an opportunity to comment before the SFIs were submitted to the NHS Board. It was agreed that Members should send any comments directly to the Head of Board Administration. In response to a question from Mr Haseeb, the Head of Board Administration explained the arrangements for the management of Endowment Funds.

Members

The Head of Board Administration reported on the progress towards harmonisation of the other corporate governance documents and on the transitional committee arrangements including the process for the approval of the annual accounts for 2003/2004. In respect of the timing of meetings to approve the annual accounts, Cllr Collins commented that the timing of meetings in the month of July was not suitable for local authority Members and this risked excluding them from participation in the discharge of a key part of the Audit Committee's Remit. Mt Thomson (PricewaterhouseCoopers) and Mr Kelly (Deloitte) explained that the timetable for submission of the annual accounts was prescribed by the Scottish Executive and the scale of the audit of the annual accounts made it unavoidable for the Audit Committee to meet in July if the Scottish Executive's deadline for submission of the annual accounts was to be met. It was agreed that representation should be made to the Scottish Executive that the timetable for submission of annual accounts should be amended to facilitate involvement of local authority Members.

Director of Finance

DECIDED:

That

1. the Standing Financial Instructions be submitted to the NHS Board for approval;
2. the proposal for the approval of the annual accounts for 2003/2004 be accepted.

Director of Finance

Director of Finance

10 DATE OF NEXT MEETING

The Head of Board Administration noted that the terms of office of Mr Scott, Mr Haseeb and Mr Irvine were due to end on 31 March 2004 and offered thanks to all three Members for their significant contribution to the work of both the NHS Trusts and the NHS Board. Mr Scott was

EMBARGOED UNTIL MEETING

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also thanked for his contribution as Chair of the Committee.

DECIDED:

That the next meeting of the Committee be scheduled for Tuesday, 6 July 2004 at 9.30 a.m.

The meeting ended at 11.45 a.m.