

A (M) 04/4
Minutes: 33 - 41

NHS GREATER GLASGOW

**Minutes of a Meeting of the
Audit Committee
held in Board Room 2,
Dalian House, 350 St Vincent Street, Glasgow,
on Thursday, 29 July 2004 at 9.30 a.m.**

PRESENT

Mr C Scott
Ms R Dhir MBE
Mr P Hamilton
Mrs E Smith
Mrs A Stewart MBE

IN ATTENDANCE

Mr J M Hamilton	Assistant Director of Finance
Mr A Lindsay	Head of Control & Support Systems
Ms E Borland	Acting Director of Health Promotion (to Minute 37)
Ms F Moss	Assistant Director of Health Promotion (to Minute 37)
Mr N Billing	Counter Fraud Services (for Minute 40)
Mr S Gibson	Deloitte (to Minute 39)
Mr S Kelly	Deloitte (to Minute 39)
Ms M Couper	Deloitte (to Minute 39)
Mr M Thomson	PricewaterhouseCoopers (to Minute 40)

ACTION BY

33 APOLOGIES

Apologies were intimated on behalf of Cllr Collins, Cllr Handibode, Mr Haseeb, Mr Irvine, the Director of Finance and the Head of Board Administration. The Convener welcomed the Acting Director of Health Promotion, the Assistant Director of Health Promotion and Ms Couper (Deloitte) to the meeting

34 MINUTES

On the motion of Mr Scott, seconded by Mrs Stewart, the Minutes of the meeting on 6 July 2004 were noted as a correct record and signed by the Convener.

35 MATTERS ARISING FROM THE MINUTES

In respect of Minute 23, Mr Kelly(Deloitte) reported that contracts of employment within NHS Greater Glasgow did not contain a specific clause regarding recovery of overpayments of salary.

In respect of Minutes 26 to 30 (inclusive), the Convener reported that the Statements of Accounts for the four former NHS Trusts and the NHS Board had been approved by the NHS Board on 20 July 2004. The Convener reminded Members of the amendment to the Statement of Accounts for the NHS Board which had been required after the Accounts had been considered by the Audit Committee on 6 July 2004 and which had been reported in a separate paper.

36 INTERNAL AUDIT REPORT: REVIEW OF FUNDED PROJECTS

A report of Deloitte (Audit Paper No 04/17) was presented setting out the results of a review of the NHS Board's arrangements for managing its relationships with voluntary bodies which it funds and reviews of two specific organisations which received NHS Board funding.

Mr Gibson (Deloitte) reminded Members of the significant amount of work which had been carried out in respect of funded bodies since the matter was first drawn to the Committee's attention in 2002. In respect of the current report, Mr Gibson commented that he was content with the depth and quality of the response by management and that internal audit would continue to pay attention to this issue during 2004/2005.

Mr Kelly (Deloitte) reminded Members of the circumstances which caused the issue of funded bodies to be brought to the Committee's attention in 2002. In respect of the current report, Mr Kelly explained that in addition to reviewing arrangements within the NHS Board, the internal auditors had, at management's request, carried out detailed reviews of two individual projects. A third project had been reported by management to the internal auditors but the urgency of that situation had resulted in management action to secure alternative service provision, thus obviating the need for audit review of the original service provider. Mr Kelly reported that the work carried out at the two projects had found some common themes including an absence of financial controls and training. In the case of one project, volatile governance arrangements had contributed to the difficulties. Mr Kelly explained that the underlying theme of the recommendations within the audit report was to improve the level and consistency of control and commented that management had responded positively. In particular, he drew Members' attention to the on-going work to procure from a third party a range of support services (including advice on financial controls) which would be accessed by the voluntary bodies funded by the NHS Board.

In response to a question from Mr Hamilton, Ms Couper (Deloitte) commented that in the case of one of the projects reviewed by internal audit, a service level agreement (SLA) had not been in place while the Assistant Director of Health Promotion confirmed that an SLA was in place for the other project. Following questions by Mrs Stewart, the Assistant Director of Health Promotion commented that approximately 40 organisations received funding in excess of £25,000 per annum and explained the actions taken by management to address a financial surplus within one of the projects which had been referred to the internal auditors for review. In response to a question from Mrs Smith, the Assistant Director of Health Promotion explained that this project had been funded by the NHS Board since 1999 and confirmed that the problems which had caused management to invite the internal auditors to review the project, had only occurred recently.

Members agreed that where the NHS Board provided funding to a voluntary body, that body should be required to have sound governance arrangements in place while the NHS Board should have mechanisms to ensure the early identification of problems.

NOTED

37 FUNDING OF VOLUNTARY ORGANISATIONS THROUGH HEALTH PROMOTION BUDGET

A report of the Acting Director of Health Promotion (Audit Paper No 04/18) was presented on the funding of voluntary bodies through the NHS Board's Directorate of Health Promotion. The Acting Director of Health Promotion commented on the key elements of the report including the following matters.

Rationale for funding voluntary organisations

The NHS Board had statutory responsibilities to engage with communities and the voluntary sector to improve the health of the population served by the NHS Board and to meet the Scottish Executive's social justice milestones. In addition, the White Paper "Partnership for Care" specifically charged NHS Boards with the responsibility to support community-led health improvement initiatives. In supporting community and voluntary organisations, the NHS Board benefits through a more flexible and cost effective delivery of service than is likely to be achieved by a statutory agency.

Allocation of Resources

A significant proportion of the Health Promotion budget is allocated to the funding of voluntary bodies. In most cases, funding is also provided by other organisations. In such cases, the lead partner takes responsibility on behalf of the other bodies providing funding to monitor spend and performance. For example, it has been agreed that Glasgow City Council's financial procedures should regulate dealings with all Healthy Living Centres in the Glasgow area. The Health Promotion budget is devolved to Geographic or Topic Teams in accordance with the Directorate's operational plan. Decisions to allocate funding are based on agreed criteria and are authorised by senior management including the Director of Health Promotion. All projects are evaluated and in many cases, the evaluation criteria are agreed with other funding partners.

Role of Health Promotion Staff

One of the key roles fulfilled by Health Promotion Officers is to liaise with and support the development of voluntary and community organisations. They are in regular contact with organisations and are therefore able to gain early awareness of problems. It was as a result of this contact that Health Promotion Officers were able to alert the internal auditors to problems within two projects which were included in the internal auditors' report to the Committee (Audit Paper Number 04/17).

Supporting voluntary organisations to work effectively

An organisational health check was commissioned and facilitated by a third party in respect of all organisations receiving annual funding in excess of £25,000. The resultant report formed the basis to secure European Regional Development Funding to help procure a range of consultancy support services which the funded bodies will access.

In response to questions from Mrs Stewart and Mrs Smith, the Assistant Director of Health Promotion reported that 41 out of 44 organisations had completed the organisational healthcheck and that the NHS Board was providing funding to match that provided from the European Regional Development Fund. In response to questions from the Convener, Ms Dhir, Mrs Smith and Mrs Stewart, the Acting Director and Assistant Director of Health Promotion described the protocols with funding partners to monitor organisations and the processes for measuring outcomes, undertaking SCRO checks and allocating funds to organisations and gave practical examples of each.

In response to a question from Mrs Smith, the Acting Director of Health Promotion explained how funding for organisations could come from different elements of the Health Promotion budget and undertook to provide Members with a list of organisations receiving funding from the Health Promotion (over and under £25,000 per annum).

**Acting Director of
Health Promotion**

Members noted that the report by the Acting Director of Health Promotion related only to those projects funded from the Health Promotion budget and recognised that funding was also provided to projects by other Directorates of the NHS Board as well as the Divisions, in particular the Primary Care Division. While Members were heartened by the progress in respect of funding of organisations by Health Promotion, it was agreed that there was a need to seek assurance that similar levels of controls existed throughout NHS Greater Glasgow and were being consistently applied. It was agreed therefore that the Director of Finance should pursue via the Glasgow Directors of Finance Group, details of the funding provided by NHS Greater Glasgow to voluntary bodies and projects with consideration being given to how this information might be filtered via the Divisional Audit Committees/Governance Forums. This work should also recognise the role of soon to be established Community Health Partnerships in this respect.

**Director of
Finance/Head of
Control & Support
Systems**

NOTED

38 INTERNAL AUDIT REPORT: PART OF THE ADULTS WITH INCAPACITY (SCOTLAND) ACT 2000

A report of Deloitte (Audit Paper No 04/19) was presented setting out the results of a review of the NHS Board's compliance with Part 4 of the Adults with Incapacity (Scotland) Act 2000 (the Act). Mr Kelly (Deloitte) explained that Part 4 of the Act related to the management of residents' finances and came into effect on 1 October 2003. The internal audit review had concluded that like most NHS Boards in Scotland, the arrangements in place did not fully comply with the requirements of Part 4 of the Act. Mr Kelly explained that recognising

ACTION BY

this was the case, the internal audit report contained a detailed action plan to assist compliance with the Act and management had now provided a response to the report and its action plan.

With the agreement of Members, the Head of Control and Support Systems tabled a report which showed the progress made since this matter was last considered by the Committee in March 2004 and providing more detail to augment the response to the internal audit report. The Head of Control and Support Systems drew Members' attention to the statement in the progress report to the effect that procedures and documentation were now in place and were being used to allow the NHS Board to discharge its responsibilities under Part 4 of the Act. Mr Kelly and the Head of Control and Support Systems undertook to continue to liaise on this matter.

**Deloitte/Head of
Control & Support
Systems**

NOTED

39 DATE OF NEXT MEETING

DECIDED:

That the next meeting be scheduled for Tuesday, 26 October 2004 at 9.30 p.m.

40 COUNTER FRAUD SERVICES

The Convener welcomed Mr Billing, Head of the Counter Fraud Services (CFS), to the meeting. Mr Billing made a presentation explaining the work of the CFS which included the following matters.

- Description of the service;
- Staffing;
- Development of central counter fraud unit;
- Partnership agreements between the CFS and NHS Boards;
- Types of fraud;
- What the CFS can do for the NHS Board;
- How cases of fraud are dealt with;
- Communication between the CFS and NHS Boards;
- Changing culture in respect of fraud;
- Future developments.

During a question and answer, Mr Billing outlined the measures being taken to address fraud in respect of Family Health Services and in particular fraudulent claims for exemption from charges.

The Convener thanked Mr Billing for a very informative presentation.

41 INTERNAL AUDIT SERVICES

The Convener reminded Members that the current contract for internal audit services to NHS Greater Glasgow would expire on 31 March 2005. To allow time for any re-tendering exercise to be concluded by that date, it was necessary for the Audit Committee to consider at this point whether the existing contract should be extended or tenders sought.

ACTION BY

There was discussion of a number of issues including

- The challenges facing the NHS Board both in the current year and the following five years;
- A possible shortage of alternative suppliers with the capability to deliver the service required by the NHS Board;
- The timing of the next change in the external audit appointment;
- The fact that the contract for internal audit services had already been extended for a period of two years beyond the initial three year period.

DECIDED:

1. That the Audit Committee recommends that the internal audit service should be re-tendered subject to the Director of Finance investigating the options available to secure an internal audit service from 1 April 2005;
2. That the Director of Finance should report to the Audit Committee.

**Director of
Finance/Head of
Control and
Support Systems**

The meeting ended at 12.15 p.m.