

A (M) 04/5
Minutes: 42 - 53

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, 26 October 2004 at 11.00 a.m.**

PRESENT

Mrs E Smith (Chair)
Mr J Bannon MBE
Cllr D Collins
Mr P Hamilton
Mrs A Stewart MBE

IN ATTENDANCE

Mrs W Hull	Director of Finance (to Minute 51)
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 C Gibson	Deloitte
Mr P McGinty	Deloitte (to Minute 48)
Mr C D Revie	PricewaterhouseCoopers
Ms W Cuthbert	PricewaterhouseCoopers

42 WELCOME

ACTION BY

The Convener welcomed Members to the first meeting of the NHS Greater Glasgow Audit Committee following the end of the transitional arrangements which had been in place until 30 September 2004.

The Head of Board Administration explained that the NHS Board had delegated authority to the NHS Board Chairman to appoint the Convener of the NHS Greater Glasgow Audit Committee and to nominate the Non executive Directors to support the Divisional Chairs in the Governance Forums which were being established at Divisional level. It was then for each Division to decide which of these Non-Executive Directors should Chair its Governance Forum.

The Convener commented that the proposed new organisational arrangements for NHS Greater Glasgow has still to be finalised and committee arrangements could not be concluded until the new structure was approved for implementation from 1 April 2005. In the meantime, it would be for the NHS Greater Glasgow Audit Committee to determine the most appropriate way of working during this transitional period. The Head of Board Administration further commented that internal and external auditors had acknowledged that

ACTION BY

there would be a further period of transition until the new corporate structure for NHS Greater Glasgow was in place.

Members agreed that given the current membership during the transitional period, the quorum should be three. Members also agreed on the need for consistency in the modus operandi of the Divisional Governance Forums. Mr Revie, PricewaterhouseCoopers, agreed with the need for consistency and offered to assist with the setting up of Governance Forums across the four divisions.

Head of Control & Support Systems

Pricewaterhouse Coopers

At the requests of the Director of Finance and Mr Gibson, Deloitte, it was agreed that item 11 on the agenda – Internal Audit Services from 1 April 2005 (Audit Paper No 04/26) should be presented immediately after item 3 – Matters Arising from the Minutes, followed by item 7 – Internal Audit Progress Report (Audit Paper No 04/23) and item 8 - Property Transaction Monitoring (Audit Paper No 04/24).

Members expressed their gratitude to Mr Charles Scott for chairing the Committee during the period from 29 April 2003 to 30 September 2004. It was agreed that the Convener should write to Mr Scott to convey formally the Committee's appreciation of his contribution.

Convener

43 APOLOGY

An apology was intimated on behalf of Cllr Handibode.

44 MINUTES

On the motion of Mrs Smith, seconded by Mr Hamilton, the Minutes of the meeting on 29 July 2004 were noted as a correct record and signed by the Convener.

45 MATTERS ARISING FROM THE MINUTES

In respect of Minute 37, the Head of Control and Support Systems reported that work was ongoing to gather details of the funding provided by NHS Greater Glasgow to voluntary bodies and projects and that a report would be provided to the January meeting of the Audit Committee.

Director of Finance/Head of Control & Support Systems

46 INTERNAL AUDIT SERVICES FROM 1 APRIL 2005

A report of the Director of Finance (Audit Paper No 04/26) was presented seeking approval to extend the current contract for internal audit services to 31 March 2004 with a competitive tendering exercise to be undertaken to secure a new service from 1 April 2006.

The Director of Finance reminded Members that the current contract for internal audit services was due to expire on 31 March 2005 and at the meeting of the Audit Committee on 29 July 2004 (Minute 41 refers), it was agreed that this matter be investigated and a report presented to the Committee. The Director of Finance reported that this matter had been considered by the Glasgow Directors of Finance at their regular meeting on 20 September 2004. At that meeting, the Directors of Finance had advised that the contract should be re-let from 1 April 2006 and that the current contract should be extended to 31 March 2006. There were three main reasons for this decision.

ACTION BY

1. To allow consideration of the revised management arrangements and organisational structure of NHS Greater Glasgow which were currently under review;
2. To allow time to prepare a revised specification and to comply with the lengthy timetable prescribed under the European Union procurement rules which apply to the contract; (It was not considered feasible to let a contract from mid-year to mid-year);
3. To recognise three significant factors which placed pressure on the finance function across NHS Greater Glasgow:-
 - The migration to a common financial ledger;
 - The ongoing major restructuring exercise to reflect single system working;
 - The need to maintain the ability to plan and report expenditure performance during a challenging period for NHS Greater Glasgow.

DECIDED:

That the current contract for internal audit services be extended for a further period to 31 March 2006 and a competitive tendering exercise be undertaken to secure a new service from 1 April 2006.

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

47 INTERNAL AUDIT PROGRESS REPORT

A report of Deloitte (Audit Paper No 04/23) was presented setting out progress for the period to 30 September 2004 in respect of the internal audit programmes for NHS Greater Glasgow.

Mr McGinty, Deloitte, drew Members' attention to the key issues covered in the report including the following matters.

1. Audit Committees had continued to meet at Divisional level.
2. There were no new priority 1 recommendations.
3. Audits of patients' funds had revealed strong and effective controls within cash offices but some exceptions had been noted at ward level. In response to a question from Mrs Stewart, Mr McGinty undertook to add the Queen Mother's Hospital to the planned programme of patients' funds audits. In response to a question from Mr Bannon, Mr McGinty undertook to establish where responsibility lay for patients' funds within nursing homes.
4. Follow up work had been carried out in respect of the audit of nurse bank management which confirmed that good progress had been made.
5. A review of the arrangements for reporting exceptions to tender to the Audit Committee had been undertaken at the NHS Board and the full report on this was included as part of the progress report. While one minor exception had been noted, the process was good although not replicated at Divisional level. Members agreed that there should be consistency across NHS Greater Glasgow on this matter.

Deloitte

Deloitte

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

ACTION BY

6. The review of CEDAR implementation within one Division had been completed with satisfactory results while the review in another Division was still in progress.
7. Work on the funding of voluntary bodies continued with a review about to commence at a project following a request from management. The Head of Control and Support Systems reported good progress in respect of the competitive tendering exercise to procure a range of support services for voluntary sector organisations. It was agreed that the Acting Director of Health Promotion should be invited to attend the next meeting.
8. The review of planning for Agenda for Change had indicated a well structured project team in place with significant groundwork and planning undertaken.
9. A revised approach to assessing and testing financial control risk was now being used and was working well.

**Head of Control &
Support Systems**

Mr Gibson, Deloitte, concluded by commenting that it was encouraging to note that the changes and uncertainties facing NHS Greater Glasgow were not impacting adversely on day to day activities.

NOTED

48 PROPERTY TRANSACTIONS MONITORING 2003/2004

A report of Deloitte (Audit Paper No 04/24) was presented setting out the results of the review of property transactions concluded during 2003/2004 within NHS Greater Glasgow. Mr McGinty, Deloitte, explained that under the requirements of the NHS Property Transactions Handbook (the Handbook), internal audit is required to review a sample of property transactions on an annual basis and report the results to the Audit Committee. If approved, this report is then submitted on behalf of the NHS Board to the Scottish Executive.

Mr McGinty reported that all of the 13 transactions reviewed were conducted in accordance with the requirements of the Handbook and all were therefore deemed to be category A in terms of the grading structure specified in the Handbook.

The Head of Board Administration commented on the implications of the Freedom of Information Act (Scotland) 2002 in respect of internal and external audit reports. Mr Revie, PricewaterhouseCoopers, undertook to liaise with the Head of Board Administration on this matter together with the implications of the Proceeds of Crime Act 2002.

**Pricewaterhouse
Coopers**

DECIDED:

That the internal audit report on property transactions monitoring be approved and submitted to the Scottish Executive.

**Head of Control &
Support Systems**

49 EXTERNAL AUDIT: OUTLINE AUDIT APPROACH 2004/2005

A report of PricewaterhouseCoopers (Audit Paper No 04/20) was presented describing the approach towards the 2004/2005 audit of NHS Greater Glasgow. Mr Revie (PricewaterhouseCoopers) drew Members' attention to the key elements in the report which included the following matters.

1. The audit would be performed in accordance with the Audit Scotland Code of Practice.
2. The approach would include scoping the NHS Board's risks and exposures, understanding how they are managed and results monitored, evaluating if these processes are appropriate and validating by gathering audit evidence.
3. Reliance would continue to be placed on the work of internal audit.
4. A group audit would be undertaken recognising that while NHS Greater Glasgow is a single entity, current structures and systems would still reflect the predecessor organisations.
5. Core work would be based on an assessment of how the NHS Board's control procedures mitigated the key business and audit risks.

In response to questions from Mr Hamilton, Mrs Smith and Mrs Stewart, Mr Revie explained that that there would be an escalation process which would allow matters arising from the audit which were not satisfactorily addressed at divisional level to be reported to the Audit Committee.

NOTED

50 EXTERNAL AUDIT: FOLLOW UP STUDY – WASTE MANAGEMENT

A report of PricewaterhouseCoopers (Audit Paper no 04/21) was presented giving details of the review by external audit of progress made across NHS Greater Glasgow in implementing the Action Plan from the Scottish Executive Property and Environment Forum document "Waste Management in NHS Trusts".

Ms Cuthbert, PricewaterhouseCoopers, commented that while some issues had been identified, the overall findings from the review were positive. The Director of Finance reported on progress in respect of the procurement of a waste management service following the expiry of the current contracts in September 2005.

NOTED

51 ACTION PLAN IN RESPONSE TO EXTERNAL AUDIT REVIEW OF FINANCIAL POSITION SAVINGS PLAN

A report of the Director of Finance (Audit Paper No 04/22) was presented showing the Action Plan prepared in response to the report by the NHS Board's External Auditors on their review of the Financial Position Savings Plan.

ACTION PLAN

Mr Revie, PricewaterhouseCoopers, reminded Members that as part of the audit of the accounts for 2003/2004, the external auditors had reported on their review of the financial position of NHS Greater Glasgow. The results of the review had been reported in a presentation to the Audit Committee on 6 July 2004 when it had been agreed (Minute 25 refers) that the Action Plan contained in the external auditors' report should be completed and submitted to a subsequent meeting of the Audit Committee.

The Director of Finance commented that at the time when the external auditors had presented their findings, the financial recovery plan had not been fully embedded in the planning and operations within NHS Greater Glasgow. The completed Action Plan was being presented to provide Members with additional assurance that the matters identified by the External Auditors were being addressed.

NOTED

52 RISK MANAGEMENT IN NHS GREATER GLASGOW

A report of the Director of Finance (Audit Paper no 04/25) was presented describing progress towards the harmonisation of the arrangements within NHS Greater Glasgow to manage risk and incorporating a summary report by PricewaterhouseCoopers and the NHS Board's interim self assessment submitted to NHS Quality Improvement Scotland in September 2004. The Head of Control and Support Systems explained that following reviews of the corporate governance documentation and Audit Committee arrangements, a short life working group had been created to consider the harmonisation of risk management arrangements throughout NHS Greater Glasgow. This working group had been chaired by the Director of Human Resources for South Glasgow and facilitated by PricewaterhouseCoopers. Members' attention was drawn to the report by PricewaterhouseCoopers which summarised progress and included an Action Plan which mapped out the path to harmonisation of the risk arrangements, in particular the production of a pan Glasgow Risk Management Strategy and Risk Register. The Head of Control and Support Systems undertook to report on further progress to the meeting of the Audit Committee in January 2005 when it was also intended to present a draft Risk Management Strategy for NHS Greater Glasgow.

**Head of Control &
Support Systems**

The Head of Board Administration explained the development of the NHS Quality Improvement Scotland (QIS) Draft Healthcare Governance Standards and drew Members' attention to the interim self assessment which each NHS Board had been required to complete and submit to QIS. This self assessment together with the supporting documentary evidence which the NHS Board had provided would form the basis of a peer review which was scheduled to take place on 8 December 2004.

In response to a question from Mrs Stewart, the Head of Board Administration commented that the establishment of Governance Forums at divisional level should facilitate the harmonisation of clinical and non-clinical risk.

Cllr Collins, Mrs Smith and Mrs Stewart commented on the risks

EMBARGOED UNTIL MEETING

AUDIT COMMITTEE: 26 OCTOBER 2004

ACTION BY

attached to the funding of voluntary organisations and in particular on

1. the need for adequate arrangements to monitor and evaluate the use of funds by voluntary organisations;
2. the need for a report to be presented to the meeting of the Audit Committee in January 2005 giving details, even if in draft form, of funding provided by NHS Greater Glasgow.

**Head of Control &
Support Systems**

NOTED

53 DATE OF NEXT MEETING

DECIDED:

That the next meeting be scheduled for Tuesday, 25 January 2005 at 9.30 a.m.

The meeting ended at 12.15 p.m.