

AUDIT COMMITTEE: 25 OCTOBER 2005

A (M) 05/06  
Minutes: 56 – 64

NHS GREATER GLASGOW

**Minutes of a Meeting of the  
Audit Committee  
held in Meeting Room B,  
Dalian House, 350 St Vincent Street, Glasgow,  
on Tuesday, 25 October 2005 at 9.30 a.m.**

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**PRESENT**

Mrs E Smith (Chair)  
Cllr D Collins  
Mr P Hamilton

**IN ATTENDANCE**

Mr D Griffin	Acting Director of Finance
Mr J C Hamilton	Head of Board Administration
Mr J M Hamilton	Assistant Director of Finance
Mr A Lindsay	Head of Control & Support Systems
Dr B Cowan	Medical Director (To Minute 59)
Mr A Crawford	Head of Clinical Governance (To Minute 59)
Ms F Moss	Assistant Director of Health Promotion (For Minute 62)
Mr C D Revie	PricewaterhouseCoopers
Mr M White	PricewaterhouseCoopers
Mr C Gibson	Deloitte (To Minute 62)
Mr P McGinty	Deloitte
Mr S Clark	Deloitte

ACTION BY

**56 APOLOGIES**

Apologies were intimated on behalf of Mr J Bannon MBE, Dr R Groden, Cllr J Handibode and Mrs A Stewart MBE.

**57 MINUTES**

On the motion of Mrs Smith, seconded by Mr P Hamilton, the Minutes of the meeting on 13 September 2005 [A (M) 05/05] were noted as a correct record and signed by the Convener.

**58 RISK MANAGEMENT IN NHS GREATER GLASGOW – CORPORATE RISK REGISTER**

A report of the Medical Director and Head of Clinical Governance (Audit Paper no 05/30) was presented on the process being followed to develop and maintain a Corporate Risk Register.

ACTION BY

The Medical Director explained the background to the development of the Corporate Risk Register. Existing arrangements for governance and risk management at divisional level were adequate but new processes were being developed to reflect single-system working. During the move to single system working the Transition Group had to ensure arrangements were in place to continue to deliver the required assurances during the transitional period. A Risk Management Strategy had been developed and approved by the NHS Board but this had not been aggressively promoted recognising that the organisation was in a transitional stage and that the new NHS Quality Improvement Scotland (NHS QIS) guidelines on healthcare risk management were due to be issued shortly.

The Head of Clinical Governance explained that while the NHS Board had commented on the draft NHS QIS standards during the consultation process, details of the documentation required to demonstrate compliance with the new standards were not yet available but would be published by the end of October 2005. These details would contribute significantly to the development of the NHS Greater Glasgow Risk Register, including the Corporate Risk Register. This would allow work to progress in three streams.

1. The review and consolidation of divisional risk management arrangements would continue to its conclusion.
2. Existing divisional policies and guidelines would be harmonised. Particularly important in this context was the need to define the appropriate procedure for escalating risk from divisional and partnership level to the NHS Board.
3. An assessment of user attitudes and requirements would be carried out. As Phase II of the process of appointing posts to the new structure was nearing completion, this stream of work would commence shortly.

Work on all three streams would continue in the coming months with a projected completion date of March 2006.

In response to questions from Cllr Collins, Mr P Hamilton and the Acting Director of Finance, the Head of Clinical Governance explained that

- The Risk Register would contain an assessment of risk which would inform the implementation of the Risk Management Strategy;
- NHS QIS had produced a matrix to standardise the classification of risk;
- Different software was used to manage risk across the divisions and while these would eventually be harmonised, this was not an immediate priority in terms of developing the NHS Greater Glasgow Risk Register;
- The Risk Management Steering Group would oversee the Risk Register and the Group would be jointly chaired by the Medical Director and the Director of Human Resources.

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In response to questions by Mrs Smith and Cllr Collins, the Head of Clinical Governance explained the arrangement for managing risk within Community Health Partnerships and Community Health and Social Care Partnerships and confirmed that work had been carried out with Glasgow City Council to establish joint arrangements. The Acting Director of Finance commented that initial work with Glasgow City Council had focussed on the those risks at the interface with each organisation managing risks in respect of its own services. Merged risk registers were now required for Community Health and Social Care Partnerships.

It was agreed that the Risk Management Steering Group should report to the Audit Committee in April/May 2006 on the implementation of the NHS Greater Glasgow Risk Register. Mr Gray, PricewaterhouseCoopers, reminded Members of the significance of the timing of implementation in terms of the Statement on Internal Control required as part of the Annual Accounts.

DECIDED:

That the report by the Risk Management Steering Group be noted and a further report on the implementation of the NHS Greater Glasgow Risk Register be submitted to the meeting of the Audit Committee in April or May 2006.

**Medical Director**

**59 RISK MANAGEMENT IN NHS GREATER GLASGOW- PRIORITIES AND RISKS FRAMEWORK: ACTION PLAN**

A report of the Head of Control and Support Systems (Audit Paper No 05/31) was presented asking Members to note the actions being taken in response to the recommendations contained within the report by the external auditors on the Priorities and Risks Framework. The Head of Control and Support Systems described how at the meeting on 13 June 2005, Members received a report from the external auditors, PricewaterhouseCoopers, on the Priorities and Risks Framework (Audit Paper No 05/17). It had been agreed that the Action Plan contained within the report should be completed by the Corporate Management Team (CMT) and submitted to a subsequent meeting. Responses had now been provided by the members of the CMT and were incorporated into the Action Plan.

In response to a question from Mrs Smith, the Medical Director described the transitional arrangements and work programme for clinical governance. Following a question by Mrs Smith, the Acting Director of Finance and the Head of Board Administration described the arrangements to plan for and oversee the dissolution of NHS Argyll and Clyde and the absorption of the appropriate parts into NHS Greater Glasgow.

Cllr Collins and Mr P Hamilton noted that in the case of some matters in the Action Plan, the date for action had passed. It was agreed that in these cases, additional commentary should be provided to Members. Mr Revie, PricewaterhouseCoopers, explained that the report on the Priorities and Risks Framework would be followed up as part of the programme of work in respect of the 2005/2006 audit. It was agreed that management would undertake a self assessment of progress against the Action Plan and this would be reviewed by the

**Pricewaterhouse  
Coopers**

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external auditors with the results reported to the Audit Committee in January 2006.

DECIDED:

That the Action Plan be noted and further commentary be provided to Members on those matters where the action date had passed.

**Head of Control &  
Support Systems**

**60 EXTERNAL AUDIT: OUTLINE AUDIT APPROACH 2005/2006**

A report of PricewaterhouseCoopers (Audit Paper No 05/32) was presented asking Members to consider the outline approach for the statutory audit for 2005/2006. Mr Revie, PricewaterhouseCoopers, reminded Members that at the meeting of the Audit Committee on 13 June 2005, they had received a report on the External Audit Programme 2005/2006 (Audit Paper No 05/29) which had described the planned work in respect of the 2005/2006 audit at a high level. The report on the Outline Audit Approach provided further detail of the planned work.

Mr White and Mr Gray (both PricewaterhouseCopers) joined Mr Revie in summarising the main features of the Outline Audit Approach including the following matters.

1. The NHS Board's responsibility for stewardship;
2. The three areas of audit focus – accounts, governance and performance including the constituent elements of each;
3. The practical approach to the audit including interaction with management to ensure timely awareness of issues arising;
4. The Audit Comfort Cycle involving scoping the NHS Board's risks and exposures, understanding the NHS Board's business, evaluating the NHS Board's approach and validating the understanding by gathering evidence;
5. The key business challenges;
6. The audit timetable and outputs.

The key business challenges related to

- Financial balance and performance;
- Governance arrangements in respect of the move to single-system working;
- Integrated Financial Services;
- Community Health Partnerships and Community Health and Social Care Partnerships;
- Waiting list targets;
- Acute Services Review;
- Agenda for Change;
- GMS Contracts;
- Delivery of Local Health Plan and
- Integration of NHS Argyll and Clyde.

Mr Revie explained that the audit approach to these issues was at a high level and would be expanded during the audit visit scheduled for November and December 2005. In addition, Mr Revie emphasised that the views of the Audit Committee were vital to this process and Members were invited to submit written comments on this assessment

ACTION BY

of the key challenges to the external Auditors.

DECIDED:

That the outline audit approach be approved subject to Members providing written comments to the external auditors.

**Members**

**61 AUDIT SCOTLAND TENDER PROCESS**

Mr Revie reported verbally to Members on the process currently being undertaken by Audit Scotland to appoint external auditors to the public sector in Scotland.

**62 INTERNAL AUDIT PROGRESS REPORT**

A report of Deloitte (Audit Paper No 05/33) was presented asking Members to note the progress in the period to October 2005 in respect of the internal audit programmes for NHS Greater Glasgow.

It was agreed that the summary of the findings from the review of the funding of a voluntary sector organisation be considered first and the Assistant Director of Health Promotion joined the meeting for discussion of this matter. Mr Gibson, Deloitte, explained that internal audit had been invited to review specific aspects of a voluntary sector organisation which received funding from the NHS Board as well as a number of other organisations. Mr Gibson summarised the main findings of the internal audit review. The Assistant Director of Health Promotion described the actions taken in response to the internal audit report. It was agreed that the audit report should be followed up in six months.

Members then discussed the wider implications of funding voluntary sector organisations. Cllr Collins noted the benefits of phasing payments and matching funding to expenditure and the need to obtain assurance on an organisation's governance before agreeing funding. The Assistant Director of Health Promotion explained the different models of delivering funding including delivery of funding via Glasgow City Council. In response to questions from Mrs Smith, the Assistant Director of Health Promotion explained the processes for managing funding to voluntary sector organisations where the amount involved was less than £25,000 per annum and confirmed that the report on the independent review of community health projects was due by the end of October 2005. The Acting Director of Finance commented on the potential benefits of having internal audit visit briefly a number of projects as part of the annual internal audit plan. Mr McGinty, Deloitte, reported that the internal auditors planned to meet with the Glasgow Council for the Voluntary Sector which provided support services to most of the voluntary sector organisations which received funding in excess of £25,000 per annum. Mr Revie, PricewaterhouseCoopers, referred to the lessons learned from the initiative "Following the Public Pound" and commented that the inherent nature of some voluntary sector organisations offered limited scope for systems improvement. Assurance might therefore be better obtained from a substantive review of transactions rather than of systems of internal financial control.

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Mr Gibson summarised the other main areas of audit activity and commented on the following matters in particular.

1. The monitoring of property transactions had concluded that all transactions were appropriate.
2. The findings from an audit of Patients' Private Funds had proved similar to the findings from previous audits. The Nurse Directors within NHS Greater Glasgow were pursuing a joint approach to address the issues raised by the audit and this approach was proving to be productive.
3. The processes for paying patients' travel expenses were well controlled but would benefit from a more consistent approach across NHS Greater Glasgow.
4. Patient complaint management was satisfactory with all formal complaints being routed through the relevant Chief Executive's office. The Head of Board Administration commented that significant work had been carried out over the last year to harmonise processes.
5. The key controls over the payroll process were adequate in most respects but two issues from the previous audit had not yet been fully addressed. These related to the maintenance of authorised signatory listings and liaison between Finance and Payroll Departments in respect of overpayments to employees. The Assistant Director of Finance undertook to take these matters forward via the Payroll Management Board.

**Assistant Director  
of Finance**

Mr McGinty reported on progress against the internal audit annual plan and commented that this was broadly in line with the target and work on the core financial systems would commence shortly.

Mr Clark, Deloitte, then summarised the key IT changes and developments within NHS Greater Glasgow including those areas on which internal audit would focus under the internal audit annual plan. These included review of the NHS Board's IT Strategy, Clinical Portal, migration to single instance of iSoft database, implementation of Cedar eFinancials, logical access controls, interface with SCI store and the provision of an integrated helpdesk. Mr McGinty commented that a more detailed report was available and undertook to issue this to Members.

**Deloitte**

Mr McGinty reported on the outcome of a customer satisfaction survey in respect of the internal audit service. Executive Directors, senior management and Audit Committee Members had been issued with a questionnaire. Mr McGinty commented that a relatively high response had been forthcoming and the results indicated that the internal auditors were performing well although specific areas had been identified for improvement.

DECIDED:

- (1) That the progress report by the internal auditors be noted.

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- (2) That the internal auditors should meet with the Glasgow Council for the Voluntary Sector and revisit in six months the specific project reported upon.

**Deloitte**

**63 AUDIT COMMITTEE – FUTURE ARRANGEMENTS**

A report of the Acting Director of Finance (Audit Paper No 05/34) was presented asking Members to approve the support arrangements required for the efficient operation of a pan Glasgow Audit Committee. The Acting Director of Finance reminded Members of the background and summarised the main features of the structure proposed for supporting the operation of a single Audit Committee. These arrangements provided for two Audit Support Groups covering partnerships (Mental Health, Community Health Partnerships, Community Health and Social Care Partnerships and the NHS Board) and the Acute Division consisting of 8 directorates.

The Head of Board Administration explained that the Remit attached to the report as Appendix 1 was in fact the current one and would be re-drafted to reflect the outcome of the discussion of this matter. Responding to a question from Mr P Hamilton, the Head of Board Administration commented that the size of the new Audit Committee would not be materially different from the current one.

In response to a question from Mr P Hamilton, the Acting Director of Finance described how the Directors of Finance as Chairs of the proposed Audit Support Groups would be removed by some distance from the day to day operations being considered by the Audit Support Group. This would ensure that the appropriate matters would be reported upward from the Audit Support Groups to the Audit Committee. This would allow local operational issues to be dealt with by the Audit Support Groups while significant issues, including those with pan-Glasgow implications, to be reported to the Audit Committee. This would enable the Audit Committee to focus on strategic issues. External Audit and Internal Audit would contribute to the report by the Audit Support Group to the Audit Committee. Responding to a question from Mrs Smith, the Acting Director of Finance confirmed that both sets of auditors would attend the meetings of the Audit Support Groups and that the minutes of these meetings would be presented to the Audit Committee. The Audit Committee further agreed that should they require a more detailed explanation of any matters discussed by the Audit Support Groups that the relevant officer would attend the next Audit Committee meeting.

DECIDED:

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| (1) That the proposed arrangements for the Audit Committee and the Audit Support Groups should be approved;   | <b>Head of Control &amp; Support Systems</b> |
| (2) That should the Audit Committee require further details of any matter discussed by the Audit Support Groups, the relevant officer would attend the next meeting of the Audit Committee; | <b>Head of Control &amp; Support Systems</b> |
| (3) That the Remit of the Audit Committee should be revised to reflect the new arrangements.  | <b>Head of Control &amp; Support Systems</b> |

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**64 DATE OF NEXT MEETING**

The next meeting be scheduled for Tuesday, 31 January 2006 at 9.30 p.m.

The meeting ended at 12.35 p.m.