

A (M) 05/3
Minutes: 30 – 39

NHS GREATER GLASGOW

**Minutes of a Meeting of the
Audit Committee
held in Board Room 1,
Dalian House, 350 St Vincent Street, Glasgow,
on Monday, 13 June 2005 at 9.30 a.m.**

PRESENT

Mrs E Smith (Chair)
Dr R Groden
Mr P Hamilton
Cllr J Handibode
Mrs A Stewart MBE

IN ATTENDANCE

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| Mr T A Divers OBE | Chief Executive (To Minute 35) |
| 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 |
| Mr C D Revie | PricewaterhouseCoopers |
| Mr M Thomson | PricewaterhouseCoopers |
| Mr M White | PricewaterhouseCoopers |
| Mr P McGinty | Deloitte |

ACTION BY

30 APOLOGIES

Apologies were intimated on behalf of Mr J Bannon MBE and Cllr D Collins. The Convener welcomed Dr Groden to his first meeting as a Member of the Committee.

31 MINUTES

On the motion of Mrs Smith, seconded by Mrs Stewart, the Minutes of the meeting on 12 April 2005 were noted as a correct record and signed by the Convener.

32 MATTERS ARISING FROM THE MINUTES

In respect of Minute 13, Members agreed to a suggestion from Mr Revie, PricewaterhouseCoopers, that the external audit report on Key Business Challenges now be followed up as part of work on the external auditors' report on the Priorities and Risk Framework

**Pricewaterhouse
Coopers**

Also in respect of Minute 13, Members considered the amended Project Authorisation Checklist (the Checklist) which had been circulated with the papers for the meeting. The Convener noted that

ACTION BY

the Checklist had been amended to reflect Members' comments offered at a previous meeting and it was agreed that the Checklist should be applied to all funding provided to voluntary sector organisations.

**Head of Control &
Support Systems**

In respect of Minute 22, the local interim report by NHS Quality Improvement Scotland (NHS QIS) on Clinical Governance and Risk Management Arrangements in NHS Scotland (incorporating the NHS Greater Glasgow's comments) had been launched by NHS QIS on 6 June 2005 and had been subsequently issued to Members. The Chief Executive commented that the presence of the Convener and executive Directors at the review meeting on 8 December 2004 with NHS QIS had allowed engagement at a high level of seniority and gave the opportunity to deal with strategic issues.

33 EXTERNAL AUDIT REPORT; PRIORITIES AND RISK FRAMEWORK

A report of PricewaterhouseCoopers (Audit Paper No 05/17) was presented summarising the external auditors' findings and assessment in relation to eight key areas of the Priorities and Risk Framework and asking the Committee to approve the report and the proposed management action. The Head of Board Administration reported that a number of further minor amendments had been agreed with the external auditors and these would be incorporated into the report. Mr Revie, PricewaterhouseCoopers, explained that the report had been considered by the Corporate Management Team who had committed to implement the recommendations made and if the Audit Committee were satisfied with the report, it would be issued to management for completion of the action plan. The action plan would be submitted to the Audit Committee and the Corporate Management Team would monitor progress against the plan.

Mr White, PricewaterhouseCoopers, explained that Audit Scotland had specified the requirement for the development of a Priorities and Risk Framework (PRF) to identify key national initiatives and the main risks to their achievement and to assess the effectiveness of implementing these initiatives and required reforms. As part of the annual audit process, the external auditors had assessed NHS Greater Glasgow's status in addressing the eight key areas of the PRF. Mr White expressed the gratitude of the external auditors to all those who had assisted in the preparation of their report.

Mr White continued that the NHS Board faced a number of significant challenges particularly in respect of

- Development of a single system;
- Service redesign e.g. the Acute Services Review;
- Achieving financial balance and delivery of targets;
- Pay modernisation.

Mr White then summarised the eight key findings from the external auditors review.

Governance

- 1) The NHS Board continued to develop the governance and management arrangements towards single system working; this was seen as a priority task for completion in 2005/2006.
- 2) The NHS Board functions in an open and inclusive manner but needed to continue with the seminar programme for briefing Members on developing strategic matters.
- 3) There had been significant progress in developing a unified Risk Management Strategy and this continued to be an important task for 2005/2006.

Service Sustainability and Pay Modernisation

- 4) The Acute Services Review remained a critical strategic project. Formal, appropriately resourced and dedicated programme arrangements were essential for ensuring delivery.
- 5) Strategic Service Redesign should be underpinned by robust workforce planning.
- 6) There would be a need to demonstrate the benefits of the various pay modernisation initiatives.

Financial Management and Performance

- 7) The NHS Board was on target to deliver the two year Corporate Recovery Plan but on-going pressures of pay modernisation, prescribing and GMS contract would make 2005/2006 another challenging year.
- 8) The NHS Board had prioritised waiting times and financial breakeven as its key performance targets and both were projected to be met in 2005/2006.

Mrs Stewart and Dr Groden noted the comment within the report under the heading of Financial Management to the effect that there was a need to develop the way expenditure was reported including its links to the NHS Greater Glasgow Local Health Plan. Mr Revie explained that this was a national issue, not just a local one and the goal was to have a system in place to better demonstrate the outcomes from spend.

The Acting Director of Finance commented that in the new organisational structure, budgets would be set by service and this would help link expenditure more clearly to the Local Health Plan. In the meantime, the NHS Board was in a transitional stage in which financial reporting continued on a divisional basis. Work was however also continuing to develop reports that would show out turn effects relative to expectations. In addition there were examples in the Corporate Recovery Plan where resources had been transferred to reflect changing healthcare needs and delivery.

ACTION BY

The Chief Executive emphasised that this report represented a gradual and realistic approach to addressing these challenging issues. Progress was being made on a number of fronts. Local arrangements were being made more robust for example, the Medicines Management Project, while simultaneously the new organisational structure would see the development of clinical directorates with the appropriate financial reporting regime. The Local Health Plan was already based on a number of large programmes. In addition, the NHS Board dealt with choices and priorities in considering overall needs within NHS Greater Glasgow as well as making individually significant decisions for example, funding expensive drug treatment for individual patients. Progress would continue to be made in the current year and the Chief Executive would work with the Acting Director of Finance to develop the means to report intended investment against actual out turn in respect of specific services and programmes.

**Chief Executive &
Acting Director of
Finance**

DECIDED:

- 1) That the amendments agreed by the Head of Board Administration with the external auditors be incorporated into the report.
- 2) That the amended report and the proposed management action be approved.
- 3) That the action plan within the report be completed by the Corporate Management Team and submitted to a subsequent meeting of the Audit Committee.

**Pricewaterhouse
Coopers**

**Head of Board
Administration**

34 EXTERNAL AUDIT: FEEDBACK FROM NON EXECUTIVE DIRECTORS

A report of PricewaterhouseCoopers (Audit Paper no 05/18) was presented collating the views of Non Executive Members of the Audit Committee and Divisional Chairs. Members were asked to note this report.

Mr Thomson, PricewaterhouseCoopers, explained that the external auditors met with Non Executive Members of the Audit Committee and Divisional Chairs to discuss the major changes and challenges facing the NHS Board and to assist in developing an understanding of the single system governance arrangements. These meetings took place in February and March 2005 since when a number of NHS Board and Non Executive Directors seminars had been held. As a result, some of the concerns expressed during the meetings may have been addressed or clarified.

Mr Thomson summarised the five main themes to emerge from the meetings.

1 Roles and Responsibilities

Some Non Executives were uncertain over their role and there had been concern over the transitional arrangements although these had now become clearer. The NHS Board was chaired in an open manner

but the size of the NHS Board made detailed discussion more difficult.

2 Governance – Monitoring Performance

The Performance Review Group had been successfully introduced. Members were generally satisfied with the format of the NHS Board papers and there was better understanding of the Corporate Recovery Plan. Members felt that more work was required to utilise technology in the production of NHS Board papers.

3 Single System Working

Some Members felt that NHS Greater Glasgow had been late in moving work towards single system working but there was recognition of the size and complexity of the task and the need to link the change to the introduction of Community Health Partnerships.

4 Community Health Partnerships (CHPs)

All Members agreed the aims and objectives of CHPs.

5 Acute Services Strategy

Members felt satisfied with the Acute Services Strategy and its principles and objectives. Some reservations were expressed over a lack of understanding of detail.

Mr Revie, PricewaterhouseCoopers, concluded by noting that the comments expressed by Members related to the period from summer 2004 to December 2004. Since then, a number of NHS Board Seminars have been held, particularly the one on 9 May 2005, which have addressed a number of the key issues raised by Members.

Cllr Handibode commented that there was an issue in finding time to attend the various meetings and seminars. In addition, he expressed concern over the issue and delivery of papers in respect of the NHS Board and its Committees. In the case of this meeting of the Audit Committee, he had received the “to follow” paper (Audit Paper 05/20) on the evening of the Friday before the meeting. Cllr Handibode felt that practice within the NHS Board compared unfavourably with local authority where a strict protocol was followed.

The Chief Executive explained that NHS Board Seminars offered an opportunity for Non Executive Members to contribute in an informal setting in addition to formal meetings. The timing of seminars was driven by the NHS Board’s programme and the timing of its consideration of key issues. With regard to Audit Paper 05/20 which had been issued as a “to follow”, the Chief Executive explained that the content of the paper meant that it could not have been issued any earlier. It reflected the content of two NHS Board seminars, the most recent of which had only taken place on Tuesday 7 June 2005. A report on the outcome of the second seminar had been prepared by the external facilitators and issued within two days on Thursday 9 June 2005. The Chief Executive had thereafter prepared Audit Paper 05/20 and it had then been issued to Members on 10 June 2005. In general,

ACTION BY

there had been an improvement in performance in respect of the timing of the issue of papers for NHS Board and committee meetings, but there was scope for further improvement.

The Head of Board Administration reminded Members that the Standing Orders for the Proceedings and Business of the Board required that the agenda was issued five working days in advance of the meeting. Mr Revie, PricewaterhouseCoopers, noted that the frequency of Audit Committee meetings at quarterly intervals might not lend itself to the strict protocols followed within local authorities.

The Convener concluded that the protocol for the issue of papers to meetings should be a matter for the NHS Board to determine, perhaps at a seminar on governance arrangements.

**Head of Board
Administration**

A report of the Chief Executive (Audit Paper 05/19) was presented on the development of the role of Non Executive Directors within NHS Greater Glasgow. The Chief Executive explained that the Chairman and he had met with the external auditors to discuss the report on feedback from Non Executive Directors' interviews. Some of the comments made had caused him to review the content and relevance of the programme of working seminars during the previous eighteen months. A summary of this programme was included in his report and this showed that four major strategic issues dominated the seminar programme during this period.

1. Maternity services (discussed at 5 seminars)
2. Implementing the plan for modernising acute services (discussed at 6 seminars)
3. Developing the new organisational arrangements including the creation of Community Health Partnerships (discussed at 15 seminars)
4. Development of the financial plan and Local Health Plan (discussed at 5 seminars).

The report also described the development of the role of Non Executive Directors and the Chief Executive emphasised that there was an on going commitment to return to consideration and discussion of the governance of the NHS Board. The Chief Executive also reminded Members of the exercise currently being undertaken by the Chairmen to elicit Member's views and preferences to establish how best Non Executives can participate in the new governance and committee arrangements.

DECIDED:

That the reports by the external auditors and the Chief Executive on the feedback from Non Executive interviews be noted.

35 GOVERNANCE ARRANGEMENTS – NHS GREATER GLASGOW

A report of the Chief Executive (Audit Paper No 05/20) was presented on the development of governance arrangements and asking Members to re-affirm the overall arrangements for the committee structure developed through the series of working seminars and to discuss

whether any further sub-structures were required to support the work of the Audit Committee. The Chief Executive highlighted the key points from his report which included the following matters.

Development of the Governance Arrangements in the Context of "Single System" Working

Reference was made to the two most recent NHS Board seminars. A short paper and action plan were included which had been developed from these seminars. The new governance arrangements had implications for the role of Non Executive Directors and at the seminars, Members had concluded that Non Executive Directors should be involved at NHS Board and Standing Committee level, given there would be over twenty committees of the NHS Board requiring Non Executive Director involvement.

The Future Arrangements for Clinical Governance

The NHS Board's development of its approach to the new governance arrangements had been informed by using as a worked example, the proposals for clinical governance.

1. Clinical leads will be identified in each unit with responsibility for clinical governance supported by a multi-disciplinary governance forum which will oversee governance arrangements and create an annual improvement programme.
2. A Clinical Governance Co-ordination Group will be established for the Acute Operating Division with similar groups developed for Community Health Partnerships and the Mental Health Partnership.
3. The Medical Director, supported by the Nurse Director, will have responsibility for maintaining effective clinical governance arrangements at NHS Board level.
4. The Clinical Governance Committee had been established with an oversight and assurance role. Non Executive Directors will have a key involvement in the Clinical Governance Committee.
5. A Clinical Governance Implementation Group will fulfil a co-ordination role including linkages to other key service management arrangements for example, infection control and risk management.

The Committee and Sub-Committee Structures Approved by the NHS Board

The Chief Executive reminded Members of the committee and sub-committee arrangements which had been developed. Members were invited to re-affirm the appropriateness of these arrangements.

Audit Committee Arrangements

To conclude the new governance arrangements, it was necessary to consider whether any additional mechanisms were required to support the NHS Greater Glasgow Audit Committee. Members were invited to

ACTION BY

consider the arrangements proposed for clinical governance in discussing the what would be required to allow the Audit Committee to obtain the necessary levels of assurance.

The Convener noted that there was a degree of overlap and duplication between the work of the Divisional Audit Committees and the NHS Greater Glasgow Audit Committee. A single pan-Glasgow Audit Committee would face a number of challenges including:-

1. The manner in which reports would be received from the Acute Division and the Partnerships. Community Health Partnerships presented a particular challenge in terms of managing the potential work load;
2. The format of reports received. At present, the internal audit report did not incorporate the management response and was not therefore sufficient for the purposes of the Committee. In future, the management response would require to be included in the internal auditors reports to the Audit Committee;
3. Relevant managers and heads of service would require to attend meetings of the Audit Committee to discuss audit reports relating to their area of responsibility. Co-ordination of this alone would require support.

Mr P Hamilton also felt there was currently duplication between the Audit Committees at Divisional level and the NHS Board and commented that the clinical governance proposals offered a useful model.

Concern was expressed generally about the need to manage the business which a pan Glasgow Audit Committee would have to deal with. The Chief Executive commented that the proposals for clinical governance might offer a model as to how the Audit Committee might function by involving Non Executive Directors at NHS Board level with a support structure in place to manage the Committee's programme of work. The Glasgow Integrated Financial Services project had proposed the establishment of a small team to support the implementation of financial governance arrangements throughout NHS Greater Glasgow. A key element of this would be to provide the support required by the Audit Committee structure.

Members were attracted to the concept of co-ordinating groups for the acute division and for partnerships, both supporting the role and programme of the NHS Greater Glasgow Audit Committee. A further report could be prepared for Members with options as to how this model could provide the necessary assurance required by the Audit Committee in the new organisation.

In response to a question from the Convener, the Acting Director of Finance explained that he had held preliminary discussions with his local authority counterparts regarding the audit and reporting mechanisms required for Community Health Partnerships.

ACTION BY

In response to a question from Cllr Handibode, the Acting Director of Finance explained that the Director of a Community Health Partnership would have dual accountability to the NHS Board and local authority for their respective funding. The financial framework for Community Health Partnerships would incorporate processes to track and report expenditure to the funding parties and for example, to account for under and over spends. Mr Revie, PricewaterhouseCoopers, explained that corporate responsibility for NHS expenditure would rest with the NHS Board Members while the full council would be accountable for local authority funds allocated to health services. Mr Revie continued that the NHS Board's external auditors would be responsible for the audit of expenditure against the Health Vote. Audit Scotland were looking into the issue of co-terminosity. The Chief Executive confirmed that the NHS Board and the local authorities participating in Community Health Partnerships would retain their distinct and separate responsibilities.

DECIDED:

1. That the Audit Committee re-affirmed the overall arrangements for the sub-committee structure;
2. That a report be submitted to a subsequent meeting describing options for the sub structures required to support the Audit Committee under the new governance arrangements.

**Chief Executive/
Acting Director of
Finance**

36 INTERNAL AUDIT PROGRESS REPORT

A report of Deloitte (Audit Paper No 05/21) was presented asking Members to note the progress made in the period to May 2005 against the internal audit programmes for NHS Greater Glasgow. Mr McGinty described the main issues which included the following.

1. Divisional audit committees had continued to meet although some had not achieved a quorum.
2. A review of compliance with the European Union Working Time Directive had been carried out. Monitoring of junior doctors' hours was in place throughout NHS Greater Glasgow and the Primary Care Division had established regular compliance monitoring for all staff groups.
3. Management of outpatient clinics had been reviewed. Management structures and lines of responsibilities were complex and varied and there was scope to improve consistency. The overall conclusion was that the outpatient clinics were generally well managed. Mr P Hamilton commented that this was a key topic, forming part of the core business of NHS Greater Glasgow and it was agreed that the Audit Committee should continue to monitor this subject.
4. The higher level strategic planning and management process across NHS Greater Glasgow had been reviewed. The auditors' main comment was that there was a need for a single document which summarised the overall picture within NHS Greater Glasgow in terms of performance against plan and future direction. Management had commented on how this information was already

Deloitte

available in key strategic documents.

5. Following a review, the management reporting and budgetary control arrangements in place within Divisions were found to be adequate and effective.
6. Waiting time arrangements within the Primary Care Division had been reviewed. While scope existed for improvement, this had to be viewed in the context that the Scottish Executive had not yet set targets for this area. The Acting Director of Finance commented that given that the work being carried out was in anticipation of targets being set, it was expected that some issues would emerge and management was aware of these.
7. Compliance with tendering procedures within Estates Departments identified that with the exception of some weaknesses in the control of documentation within one division, established procedures were being followed.
8. Resource planning and reporting had been reviewed and the overall assessment was that core information on key people and resource statistics were starting to be compiled on a fairly structured and consistent basis across NHS Greater Glasgow.
9. A review of commercial research at North Glasgow Division highlighted no significant issues but a recommendation was made that all accounting for historic projects at one site in particular should come under the remit of the Directorate of Finance.
10. The Medicines Management Project had been reviewed and it was found that the Project was being managed and progressed in a structured manner. The internal auditors noted that detailed financial analysis had been undertaken at the outset of the project and this analysis had been based on a number of assumptions particularly the cost saving per patient. It was felt there was an opportunity for more detailed scrutiny and assessment of the main assumptions made in the calculation of the savings and whether these continue to be met on an on-going basis as each extension of the Project occurs. The Acting Director of Finance explained that the assumptions had been subject to detailed, rigorous and on going scrutiny by the Project Team of which he himself was a member. Data was in fact collected at each stage of extension of the process and was subject to on-going monitoring by the Finance Sub Group of the Project Team.

In response to a question from Mrs Stewart, Mr McGinty explained that the eight internal audit reports shown as being "with management" had been with management for at least three weeks. In response to a question from the Acting Director of Finance, Mr McGinty explained that management had commented on all reports either through direct discussion or via electronic means.

NOTED

37 DATE OF NEXT MEETING

The next meeting be scheduled for Tuesday, 12 July 2005 at 9.30 a.m.

38 INTERNAL AUDIT SERVICES

A report of the Head of Control and Support Systems (Audit Paper no 05/22) was presented asking Members to approve a programme to secure the provision of internal audit services from 1 April 2006.

The Convener reminded Members that it had been decided at the meeting on 26 October 2004 that the existing contract for internal audit services be extended to 31 March 2006 and that a competitive tendering exercise be undertaken to procure a service from 1 April 2006. It had originally been intended to award a contract for three years however a proposal was being considered under the project for Shared Support Services for NHS Scotland which would result in the introduction of a national internal audit service. The proposed timetable for implementation of the national service was summer 2007.

As this target implementation date fell in the middle of the proposed contract period, Members were invited to decide whether

1. The existing contract for internal audit services should be further extended; or
2. A tendering exercise should proceed to secure internal audit services on the basis of a one year rolling contract.

DECIDED:

1. That a tendering exercise be carried out to secure internal audit services on the basis of a one year rolling contract;
2. That the proposed programme for the tendering exercise be approved.

**Head of Control &
Support Systems**

**Head of Control &
Support Systems**

39 APPOINTMENT OF EXTERNAL AUDITORS IN RESPECT OF PATIENTS' PRIVATE FUNDS

With the approval of Members, the Head of Control and Support Systems tabled a report seeking authority to appoint on a pan Glasgow basis, external auditors in respect of patients' private funds (PPF). Previously each division had appointed its own external auditors in respect of PPF but as part of the move to single system working, it was now proposed to appoint a single auditor for NHS Greater Glasgow. As the three firms appointed by the Divisions had delivered a satisfactory service, all three had been invited to bid for the pan Glasgow work in respect of the previous and current financial years. Compliant bids had been received from all three firms and it was proposed to accept the lowest offer which was from KPMG.

DECIDED:

That KPMG be appointed as external auditors in respect of patients' private funds within NHS Greater Glasgow for the years 2004/2005 and 2005/2006.

**Head of Control &
Support Systems**

The meeting ended at 1.20 p.m.