

AUDIT COMMITTEE: 25 JANUARY 2005

A (M) 05/1
Minutes: 1 - 9

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, 25 January 2005 at 9.30 a.m.**

PRESENT

Mrs E Smith (Chair)
Cllr D Collins
Mrs A Stewart MBE

IN ATTENDANCE

Mrs W Hull	Director of Finance (to Minute 8)
Mr J C Hamilton	Head of Board Administration (to Minute 8)
Mr J M Hamilton	Assistant Director of Finance
Mr A Lindsay	Head of Control & Support Systems
Ms F Moss	Assistant Director of Health Promotion (for Minute 9)
Mr C D Revie	PricewaterhouseCoopers
Mr M Thomson	PricewaterhouseCoopers
Mr C Gibson	Deloitte
Mr P McGinty	Deloitte

ACTION BY

1 APOLOGIES

Apologies were intimated on behalf of Mr J Bannon MBE, Dr R Groden, Mr P Hamilton and Cllr J Handibode.

2 MINUTES

On the motion of Mrs Smith, seconded by Mrs Stewart, the Minutes of the meeting on 21 December 2004 were noted as a correct record and signed by the Convener.

3 MATTERS ARISING FROM THE MINUTES

The Convener reminded Members that at the meeting on 21 December 2004, it had been agreed that discussion of matters arising from the Minutes of the meeting on 26 October 2004 would be deferred until the next meeting.

In respect of Minute 47, Mr McGinty (Deloitte) reported that the testing of arrangements for managing patients' private funds at the Queen Mother's Hospital had been added to the internal audit plan.

With regard to the Minutes of the meeting on 21 December 2004, the Head of Board Administration reported that in respect of Minute 56, the draft Remit of the Performance Review Group (PRG) as approved by the Audit Committee had been presented to the PRG on 18 January 2005. The PRG had expressed its thanks to the Audit Committee and endorsed the draft Remit for submission for approval to the NHS Board.

4 RISK MANAGEMENT IN NHS GREATER GLASGOW

A report of the Head of Control and Support Systems (Audit paper No 05/1) was presented describing progress of risk management arrangements and seeking endorsement of the draft Risk Management Strategy for submission to the NHS Board for approval. The Convener reminded Members of the establishment of the Risk Management Steering Group (RMSG) in November 2004 and the programme of work undertaken since then, including the development of the draft Risk Management Strategy and the Corporate Risk Register.

Mr Revie, PricewaterhouseCoopers, commented that for the Risk Management Strategy to succeed, it was necessary for risk management to be embedded in all processes. The Head of Control and Support Systems explained that this had been recognised and commented upon in the responses received during the consultation process. Once the Risk Management Strategy had been approved, the RMSG would prepare an action plan for its implementation throughout NHS Greater Glasgow.

Mrs Stewart, Cllr Collins, Mr Revie and the Director of Finance all commented on the importance of ensuring the Risk Management Strategy was communicated effectively to all staff and producing as soon as possible, the first edition of the Corporate Risk Register. Cllr Collins stressed the importance of ensuring that local monitoring arrangements were set up to support effectively the Audit Committee and allow it to meet its responsibilities in terms of overseeing the governance arrangements for NHS Greater Glasgow. It was agreed that the RMSG should present a report to the next meeting of the Audit Committee on the following matters.

1. The process for communicating the Risk Management Strategy to all staff in NHS Greater Glasgow.
2. The first version of the Corporate Risk Register.
3. The means by which the Audit Committee might gain assurance that the arrangements for risk management were effective.

There was discussion of the format of the Corporate Risk Register and the Convener commented on the benefits of for example, highlighting the top ten risks as this would encourage the development of a hierarchical structure of risks. The Director of Finance commented on the importance of the format of the Risk Register and cited the example of the Scottish Executive's Risk Register which allowed risks to be summarised with signposts to supporting information.

Following a request from Mr Revie, it was agreed that Members would meet individually with the external auditors to discuss issues of risk and associated governance arrangements.

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Members then commented on the need to revise the governance arrangements to reflect the new organisational structure. The Head of Board Administration explained that the proposals for the new organisational structure had been issued for consultation and it was intended to report the results of the consultation process to the meeting of the NHS Board in February and until new arrangements were approved, the existing governance arrangements would continue. The Director of Finance emphasised that the need to reinforce the message that the existing governance arrangements would continue and should be adapted and translated to reflect the new organisational structure.

In response to a question from Mrs Stewart regarding the timescale for change, the Head of Board Administration explained that it could be expected that the new structure would be in place from April 2005 but that the new organisational arrangements would evolve during 2005/2006. Recognising the Audit Committee's role as the overarching governance body for NHS Greater Glasgow, Members agreed that the Committee required assurance that the process of organisational change was progressing in a way that internal control standards were maintained and new governance arrangements were being developed to fit the new organisational structure.. Given that the outcome of the consultation on organisational structure was to be reported to the NHS Board in February 2005, it was agreed that it would be appropriate in terms of timing to receive a report from the Chief Executive at the meeting of the Committee on 12 April 2005 setting out the proposals for the new governance arrangements and the key milestones. Mr Revie, PricewaterhouseCoopers, undertook to liaise with the Head of Board Administration on the possible content of this report.

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DECIDED

1. That the draft Risk Management Strategy be submitted to the NHS Board for approval.
2. That the Risk Management Steering Group report to the Audit Committee on 12 April 2005 on
 - i. The process for communicating the Risk Management Strategy to all staff in NHS Greater Glasgow.
 - ii. The first version of the Corporate Risk Register.
 - iii. The means by which the Audit Committee might gain assurance that the arrangements for risk management were effective.
3. That a report be presented to the Audit Committee on 12 April 2005 setting out the proposals for the new governance arrangements and the key milestones.

**Head of Control &
Support Systems**

**Risk Management
Steering Group**

**Chief Executive/
Head of Board
Administration**

5 RESPONSE TO EXTERNAL AUDIT REPORT: KEY BUSINESS CHALLENGES

A report of the Head of Board Administration was presented (Audit Paper No 05/2) inviting Members to consider the draft response to the report by the external auditors on the Key Business Challenges for NHS Greater Glasgow. The Head of Board Administration explained that some further work was required to conclude the presentational

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aspects of the response and to assemble the supporting documentation. The draft was being presented to allow Members the opportunity to comment on the general thrust of the draft response. Mr Revie, PricewaterhouseCoopers likened the document to a self assessment against criteria similar to those used under the best value regime in local authorities and explained that once finalised, the document would be submitted to Audit Scotland. The Director of Finance drew Members' attention to the frequency with which the draft response referred to specific NHS Board papers to demonstrate that key issues had been addressed at the highest level within the organisation. In response to a question from Mrs Stewart, the Head of Board Administration confirmed that copies of the finalised response would be issued to all Members of the NHS Board.

**Head of Board
Administration**

DECIDED:

That the draft response to the external audit report on Key Business Challenges be finalised and submitted to the external auditors.

**Head of Board
Administration**

6 EXTERNAL AUDIT REPORT: FOLLOW UP OF 2003/2004 EXTERNAL AUDIT RECOMMENDATIONS

A report of PricewaterhouseCoopers (Audit Paper No 05/3) was presented setting out the results of a follow up review of the implementation of agreed audit recommendations arising from the 2003/2004 audit of the annual accounts.

Mr Thomson, PricewaterhouseCoopers, explained that the report covered recommendations contained in the 2003/2004 Internal Controls Report, the 2003/2004 Annual Report to Board Members and the Follow Up Report on recommendations made in 2002/2003. He commented on the key findings from the report and the responses provided by management. Out of twenty five recommendations, nine had been fully implemented, four were no longer applicable and four had as yet only been partially implemented. One of the partially implemented recommendations related to the Adults with Incapacity (Scotland) Act 2000 (the Act) and in response to a question from Mrs Stewart, the Head of Control and Support Systems explained that support now was being provided by the Primary Care Division to assist in the completion of the implementation of the Act. A revised action plan was now in place and was being monitored to ensure the NHS Board discharged its responsibilities under the Act.

Mr Thomson commented on the remaining twelve recommendations which were reported as ongoing. While these related mainly to major and long term projects, efforts would be made to make future recommendations more specific which in turn would enable responses to be more specific.

**Pricewaterhouse
Coopers**

NOTED

7 INTERNAL AUDIT PROGRESS REPORT

A report of Deloitte was presented (Audit Paper No 05/4) to describe progress of internal audit work undertaken across NHS Greater Glasgow. Mr Gibson, Deloitte, began by reporting on the meetings of the divisional audit committees and noted that for some of these

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committee meetings, only one Non-executive Director had been in attendance. In response to a question from the Convener, the Head of Board Administration confirmed that two/three Non-executive Directors had been nominated to support the committee structure in each of the four divisions. Mr Gibson then summarised the key findings from a number of audit reviews across a range of subjects including public relations and communications, payroll review, CEDAR implementation at South Glasgow Division, Agenda for Change and Primary Care site management controls.

With regard to the payroll review, Mr Gibson reported that three priority 1 recommendations had been made. The Assistant Director of Finance explained the current situation and actions taken in respect of the three matters relating to the priority 1 recommendations. He noted that in general, the report had been discussed with management of the payroll service but some issues required further discussion to resolve. In addition, the report had still to be considered by the North Glasgow Divisional Audit Committee. In response to a question by the Convener, Mr Gibson undertook in future to provide the management response in respect of priority 1 recommendations,

Deloitte

Members agreed on the importance of the Audit Committee being in a position to monitor the responses to priority 1 recommendations and that the role of the divisional committees was key to the Audit Committee discharging this responsibility. It was agreed that the Convener should write to the Chairs of the divisional audit committees

Convener

- to remind them that the existing governance arrangements remained in place and that the divisional audit committee should continue to meet until directed otherwise;
- to advise them of the dates of the meetings of the NHS Greater Glasgow Audit Committee and ask that them to schedule the meetings of the divisional committees approximately 4 – 6 weeks in advance of these dates to allow significant issues to receive full consideration.

Mr McGinty, Deloitte, drew Members' attention to the summary contained within the progress report which gave details of the follow up on prior recommendations. In response to questions from Mrs Stewart and the Convener, Mr McGinty confirmed that none of the matters reported as "no action taken" were significant and undertook to revise the presentation of future reports to indicate the level of significance of each item.

Deloitte

NOTED

8 DIRECTOR OF FINANCE

The Convener reminded Members that this was the last meeting of the Audit Committee which the Director of Finance would attend before leaving the NHS Board to take up her new position. On behalf of the Members, the Convener offered the Director of Finance their profound thanks for the support and work she had given to the NHS Board and to the Audit Committee and wished her well in her new post.

9 FUNDING PROVIDED TO VOLUNTARY BODIES

A report of the Head of Control and Support Systems (Audit Paper No 05/5) was presented giving details of funding provided to voluntary bodies and describing the developments in the governance regime in respect of this funding. The Head of Control and Support Systems reminded Members that they had requested information regarding the funding of voluntary bodies (Minute 45 refers) and drew their attention to Appendices 1 – 4 of the report which gave details of funding to voluntary bodies by Health Promotion including capital, Planning and Community Care and the four divisions. In response to a question from Mrs Stewart, the Head of Control and Support Systems confirmed that all funding by Health Promotion described in Appendix 1 to the report had been authorised by the Acting Director of Health Promotion and that authorisation by the Acting Director was a pre-requisite to release of funding.

The Head of Control and Support Systems explained that the report also described the various measures taken to develop the governance regime in respect of the funding of voluntary bodies. These measures included the following.

1. Reviews by internal audit of both individual projects and the NHS Board's overall arrangements;
2. The introduction of a project authorisation checklist following its approval by the Audit Committee in March 2004;
3. The procurement via competitive tendering of a wide range of support services for voluntary bodies in receipt of funding from the NHS Board;
4. The commissioning of ad hoc reviews in respect of specific areas of funding;
5. The development of contracting template.

In addition to these measures, a workshop was being planned to review the operation of the Project Authorisation Checklist and consider improvements to the NHS Board's processes in respect of the funding of voluntary bodies.

Following a question from Mr McGinty (Deloitte), the Assistant Director of Health Promotion reported on the initial stages of the contract for the provision of support services to voluntary bodies funded by the NHS Board. The service provider was in the process of concluding the initial appraisal of each project as required under the terms of the contract.

In response to a question from the Convener, the Assistant Director of Health Promotion described the arrangements for a review of a group of projects jointly funded by the NHS Board and Glasgow City Council. The review was being jointly commissioned by the NHS Board and Glasgow City Council and in response to questions by the Convener, the Assistant Director of Health Promotion undertook to ensure that the review considered issues of governance and risk management and to report the outcome to the Audit Committee.

In response to comments by Cllr Collins, the Head of Control and Support Services undertook to amend the Project Authorisation Checklist to give greater clarity on the staging of payments. The Assistant Director of Health Promotion added that for those voluntary

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bodies funded by the NHS Board via Glasgow City Council, the funding element relating to salaries was paid directly to the payroll provider to minimise risk. Members commended this arrangement and asked that officers explore if it could be extended to the agreements with other voluntary bodies.

In response to comments from Mr Revie, PricewaterhouseCoopers, the Head of Control and Support Systems undertook to amend the Project Authorisation Checklist to

- Provide a clearer link between the purpose of the project and the corporate objectives of the NHS Board;
- Details of the objectives against which performance would be measured;
- the timescale for measurement and assessment of performance.

It was agreed that once amended to reflect the comments made, the Project Authorisation Checklist should be re-presented to the Audit Committee.

Members noted the funding of voluntary bodies by Planning and Community Care described in the report and noted that the Project Authorisation Checklist was not used in this context. It was agreed that the Project Authorisation Checklist be applied to the funding of voluntary bodies by the Directorate of Planning and Community Care and that a report on the processes in respect of this funding be presented to the next meeting of the Audit Committee.

DECIDED

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| 1. That the outcome of the joint review of jointly funded projects be reported to the Audit Committee; | Assistant Director of Health Promotion |
| 2. That the option be investigated of directing to a payroll provider the salary element of funding provided to voluntary bodies; | Assistant Director of Finance |
| 3. That the Project Authorisation Checklist be amended to reflect comments made and re-presented to the Audit Committee; | Head of Control & Support Systems |
| 4. That the Project Authorisation Checklist be extended for use in respect of the funding of voluntary bodies by the Directorate of Planning and Community Care and a report on the processes supporting such funding be presented to the Audit Committee. | Head of Control & Support Systems |

9 DATE OF NEXT MEETING

DECIDED:

That the next meeting be scheduled for Tuesday, 12 April 2005 at 9.30 a.m.

Subsequent meetings were scheduled for

Tuesday 12 July 2005 *

MINUTE NOT YET ENDORSED AS A CORRECT RECORD

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Tuesday 25 October 2005
Tuesday 31 January 2006

* subject to confirmation of the timetable for the annual accounts for 2004/2005.

The meeting ended at 11.40 a.m.