

AUDIT COMMITTEE: 31 JANUARY 2006

A (M) 06/01
Minutes: 01 – 09

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, 31 January 2006 at 9.30 a.m.**

PRESENT

Mrs E Smith (Chair)
Dr R Groden
Mr P Hamilton
Cllr J Handibode
Mrs S Kuenssberg CBE
Mr A O Robertson OBE
Mr D Sime
Mrs A Stewart MBE

IN ATTENDANCE

Mr D Griffin	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 (To Minute 8)
Mr M White	PricewaterhouseCoopers (To Minute 8)
Mr C Gibson	Deloitte (To Minute 8)
Mr P McGinty	Deloitte (To Minute 8)

ACTION BY

01 INTRODUCTION AND WELCOME

The Convener welcomed Mrs Kuenssberg, Mr Robertson and Mr Sime to their first meeting as Members of the Audit Committee.

02 APOLOGY

An apology was intimated on behalf of Cllr R Duncan.

03 REMIT OF AUDIT COMMITTEE

A report of the Director of Finance (Audit Paper No 06/01) was presented asking Members to approve a revised Remit of the Audit Committee. The Convener reminded Members that the revised Remit reflected the move to single system working and that new arrangements to support the Audit Committee and its revised Remit from 1 April 2006 had been approved by the Audit Committee in October 2005 (Audit Paper No 05/34 refers). The new arrangements were now being piloted until 31 March 2006.

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The Convener invited both the external auditors and the internal auditors to comment on the new arrangements. Mr Revie (PricewaterhouseCoopers) commented that the external auditors had attended the inaugural meeting of both Audit Support Groups and the relevant issues had been fully discussed. Mr Gibson (Deloitte) commented that internal audit had also attended the first meetings of the Audit Support Groups and noted the interaction between the Audit Support Groups and the Audit Committee would be key to the success of the new arrangements.

In response to a question from Mr Sime, the Director of Finance explained that the Audit Committee had overarching responsibility for governance matters while the Clinical Governance and Staff Governance Committees had responsibility for governance within their specific areas. The latter two Committees provided assurances to the Audit Committee which informed the Audit Committee's review of the system of internal control and the Statement on Internal Control which formed part of the Annual Accounts. Mrs Kuenssberg noted that the membership of the Audit Support Groups appeared finance focussed. The Director of Finance explained that the Audit Support Groups would consider reports and issues other than financial ones. This would involve attendance as required of key operational managers at the meetings of the Audit Support Groups. This would enable the Audit Support Groups to ensure that relevant operational managers attended the Audit Committee meetings to inform discussion of reports relating to their area of responsibility. Fundamental and strategic issues would be reported to the Audit Committee to allow Members to discharge their responsibilities in respect of both financial and non-financial matters. Mr Revie commented that due to the nature of some pan Glasgow reports, they would come directly to the Audit Committee

In response to a question from Mr P Hamilton, it was agreed that the new arrangements should be subject to a formal review in nine months. Mr Revie commented that to allow this review to take place it would be necessary to define key performance measures and this could take place over the next few months.

Head of Control & Support Systems

In response to a question from Mrs Stewart, the Director of Finance confirmed that the minutes of meetings of the Audit Support Groups would be presented to the Audit Committee and that this was reflected in the proposed programme for the Audit Committee set out in Appendix 3 of the paper. The Head of Control & Support Systems undertook to ensure terminology and language within the Remit was consistent.

Head of Control & Support Systems

DECIDED:

That the Remit of the Audit Committee be approved and that the new arrangements to support the Audit Committee be reviewed in the period September to December 2006.

Head of Control & Support Systems

04 MINUTES

On the motion of Mrs Smith, seconded by Mr P Hamilton, the Minutes of the meeting on 25 October 2005 [A (M) 05/06] were noted as a correct record and signed by the Convener.

05 EXTERNAL AUDIT: PRIORITIES AND RISKS FRAMEWORK

A report of PricewaterhouseCoopers (Audit Paper No 06/02) was presented asking Members to note the progress made in implementing the Action Plan contained within the external audit report on the Priorities and Risks Framework. Mr Revie (PricewaterhouseCoopers) reminded Members that the report on the Priorities and Risks Framework had been presented to the Audit Committee in June 2005 and since then, progress on implementation of the Action Plan arising from the report had been reported regularly to the Audit Committee. A further update on progress would be provided to a subsequent meeting of the Audit Committee.

Mr Revie summarised the overall results of the review of progress. Of thirty-one recommendations, six had been implemented; action was in progress for further twenty four recommendations while little progress to date had been made in one case. Mr Revie noted that there had been excellent "buy in" by management and the report had been the subject of sustained focus by the Corporate Management Team. The level of progress made reflected this commitment.

Mr Revie presented a summary of the key issues from the review of progress including the following matters.

1. Governance
 - The new organisational structure had been approved and appointment to most senior roles was completed.
 - Work was continuing on Standing Financial Instructions with a recommendation that this be completed by 1 April 2006.
2. Service Sustainability
 - The Acute Services Strategy continued to progress.
 - Separate reports had been submitted to the Performance Review Group on the process to support the assumptions behind the number of Accident and Emergency Sites and the bed model.
3. Financial Management
 - Efforts continued to drive out costs with a break-even position predicted for 2005/2006.
 - Work continues to reconfigure further financial reporting.
4. Performance Management
 - Progress had been made towards improving performance management arrangements although continued efforts were required to embed fully this culture throughout the reconfigured organisation.
5. Pay Modernisation
 - Work had commenced on a framework to assess the improvements arising from pay modernisation.
 - The Agenda for Change process progressed but original deadlines had slipped.

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6. Workforce Management

- A working group was established to oversee harmonisation and decide what terms and conditions were to be offered as part of pan Glasgow solution.

7. Joint Future

- Schemes of establishment had been approved for Community Health and Social Care Partnerships (CHCPs). Focus was now required on the design and implementation of supporting systems of internal control by 1 April 2006.

The Director of Finance reminded Members that the Standing Financial Instructions (SFIs) of both the relevant local authority and the NHS Board would apply to CHCPs resulting in two governance streams. A Joint Finance Group chaired by the Director of Finance was established to produce an overarching set of guidelines to bridge both sets of SFIs especially where there was dissonance. In response to a question from Mrs Kuenssberg, the Director of Finance confirmed that even although SFIs varied between local authorities, it was planned that the guidelines would be complete by 1 April 2006.

Director of Finance

8. Information Management

- An Interim Director of Information Management and Technology had been appointed and approval given for the appointment of a Joint Director for Health Information and Technology.
- Initiatives on a Glasgow wide basis required better co-ordination including the development of a Glasgow wide disaster recovery plan.

Mr Revie outlined the process by which the external auditors would continue to report to the Audit Committee progress in respect of the Priorities and Risks Framework Report.

In response to a question by Mr Robertson, Mr Revie explained that while there was a need for performance management to be in place by 1 April 2006, it was not practical to have all arrangements in place within that timescale. In reply to a question from the Convener, Mr Revie commented that the Information Technology would support this process but the challenge would be to gather accurate data to input into performance management systems. Different operational units would have different targets. The Director of Finance explained that some information was gathered via IT systems while other information was collected manually.

In reply to questions from Mr P Hamilton, Mrs Stewart and Mrs Kuenssberg, the Director of Finance commented that CHCPs were emerging from two separate statutory organisations, each with a different set of terms and conditions and explained how efforts were being made to align the partner organisations.

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In response to a question from Cllr Handibode, the Head of Board Administration undertook to report to Members on the governance arrangements for South Lanarkshire CHCP.

**Head of Board
Adminstration**

NOTED

06 EXTERNAL AUDIT: FOLLOW UP OF 2004/2005 RECOMMENDATIONS

With the approval of Members a report of PricewaterhouseCoopers was tabled summarising the implementation status of the actions plans agreed with management as part of the 2004/2005 audit. Mr White (PricewaterhouseCoopers) explained that the report was a summary of a follow up review of action taken in response to all external audit recommendations made over the last five years. The detailed review had been discussed with management and detailed reports had been submitted to both Audit Support Groups prior to the meeting of the Audit Committee.

Mr White explained that the report covered a total of seventy five recommendations. Of these, twenty five had been fully implemented, action was in progress against thirty eight and there had been limited or little progress in respect of the remaining twelve. Mr White summarised the main issues to emerge from the follow up review and these included the following matters.

1. Financial Reporting
Work continued on further reconfiguring financial reporting.
2. Agenda for Change
Additional resources had been allocated to the job matching process and as a result a completion rate of 95% had been achieved by the required deadline.
3. Staff Governance
A short term steering group was established to assist in the evidence gathering required for staff governance on a Glasgow wide basis.
4. Acute Division
A review by management of tendering arrangements was underway to ensure consistency throughout NHS Greater Glasgow.
Authorised signatory lists were significantly out of date.

The Director of Finance outlined action taken in some parts of the organisation to update lists of authorised signatories and explained that the new organisational structure offered an opportunity to improve this issue.

5. Partnership Division
Following approval by the NHS Board of the new organisational structure, it was business critical to support the new structure with detailed internal control arrangements.

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Mr White explained that the Action Plan within the follow up reports would generate a matrix of recommendations which would be monitored by the Audit Support Groups with progress being reported to the Audit Committee.

**Pricewaterhouse
Coopers/Audit
Support Groups**

NOTED

07 INTERNAL AUDIT PROGRESS REPORT

A report of Deloitte (Audit Paper No 06/03) was presented asking Members to note the progress in the period to January 2005 in respect of the internal audit programmes for NHS Greater Glasgow. Mr Gibson (Deloitte) explained that in accordance with the new arrangements for the Audit Committee, detailed internal audit reports had been presented to the Audit Support Groups and a process was in place to agree actions prior to the next meeting of the Audit Support Groups.

Mr Gibson summarised the main issues to emerge from the internal audit work undertaken since the last meeting of the Audit Committee.

1. Core Financial Controls

During the period of implementation and establishment of the Operational Financial Services, an adequate control framework had not yet been fully established; a comprehensive management action plan was already in place to address this. This report had been submitted to the Audit Support Group and a response was being prepared for the next meeting of the Audit Support Group with a view to reporting the outcome to the next meeting of the Audit Committee.

2. Portering

No significant recommendations resulted from the review of portering services although there were opportunities for improvement and sharing of best practice.

3. Procurement

The internal audit review identified no critical issues although the significant scale of the proposed change was noted.

4. Access Controls

Some significant recommendations were made. The Director of Finance noted that this report may be referred to the next meeting of the Audit Committee by the Audit Support Group.

Mr Gibson drew Members' attention to the overall activity summary within the progress report and noted that progress against the annual audit plan was more advanced than at the equivalent stage in 2004/2005. Savings of 61 days had been generated and additional assignments had been undertaken including an exercise to validate the allocation of its funding by NHS Argyll and Clyde to NHS Greater Glasgow and NHS Highland.

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In response to a question from Mrs Stewart, the Head of Control and Support Systems explained the circumstances causing a delay in providing a response to an internal audit report on procurement. A response was to be provided shortly.

**Head of Control &
Support Systems**

NOTED

08 DATE OF NEXT MEETING

The next meeting be scheduled for Tuesday, 14 March 2006 at 9.30 p.m.

09 COMPETITIVE TENDERING FOR INTERNAL AUDIT SERVICES

The Head of Control and Support Systems reported on progress of the competitive tendering process to procure internal audit services with effect from 1 April 2006.

The meeting ended at 10.50 a.m.