

AUDIT COMMITTEE: 10 JUNE 2008

A (M) 08/03  
Minutes: 22 – 36

NHS GREATER GLASGOW AND CLYDE

**Minutes of a Meeting of the  
Audit Committee  
held in Board Room 1,  
Dalian House, 350 St Vincent Street, Glasgow,  
on Tuesday 10 June 2008 at 9.30 a.m.**

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**PRESENT**

Mrs E Smith (Chair)  
Mr D Sime  
Mrs A Stewart MBE

**IN ATTENDANCE**

Mr D Griffin	Director of Finance (From Minute 24)
Mr J C Hamilton	Head of Board Administration (From Minute 24)
Mr J Hobson	Head of Corporate Financial Reporting and Audit (From Minute 24)
Mr A Lindsay	Financial Governance and Audit Manager (From Minute 24)
Mr P Ramsay	Head of Financial Services (From Minute 24)
Ms J Quinn	Head of Performance and Corporate Reporting (For Minute 29)
Mr C D Revie	PricewaterhouseCoopers (From Minute 23)
Mr A Gray	PricewaterhouseCoopers (From Minute 23)
Ms S Caldwell	PricewaterhouseCoopers (From Minute 23)
Mr M White	PricewaterhouseCoopers (From Minute 23)
Mr J Rundell	Audit Scotland (Except Minute 23)
Mr J Davidson	Audit Scotland (Except Minute 23)

ACTION BY

**22 PRIVATE MEETING WITH EXTERNAL AUDITORS**

As part of the normal corporate governance arrangements and in accordance with its Remit, the Audit Committee had a private discussion with the external auditors, Audit Scotland, without officers of the Board being present.

**23 PRIVATE MEETING WITH INTERNAL AUDITORS**

As part of the normal corporate governance arrangements and in accordance with its Remit, the Audit Committee had a private discussion with the internal auditors, PricewaterhouseCoopers, without officers of the Board being present.

**24 APOLOGIES**

Apologies were intimated on behalf of Mr P Daniels OBE, Mr P Hamilton, Cllr J Handibode, Mrs J Murray and Cllr I Robertson.

**25 MINUTES**

On the motion of Mr Sime, seconded by Mrs Smith, the Minutes of the meeting on 25 March 2008 [A (M) 08/02] were approved as a correct record and signed by the Convener.

**26 MATTERS ARISING FROM THE MINUTES**

In response to a question from the Convener in respect of Minute 18, Mr Gray (PricewaterhouseCoopers) described progress of the project to update the NHS Internal Audit Standards and NHS Scotland Audit Committee Handbook.

**27 AUDIT SCOTLAND PROGRESS REPORT**

A report of Audit Scotland (Audit Paper No 08/12) was presented asking Members to note progress in respect of each of the streams of work undertaken as part of the audit of the 2007/2008 accounts. Mr Rundell described the key elements of this work including the following matters.

Internal Audit

Mr Rundell explained the aspects of internal audit work on which reliance was being placed by Audit Scotland to avoid duplication of effort.

Information Communications Technology (ICT)

1. The follow up of the ICT Computer Services Review was in progress and a draft report had been issued to management. Mr Rundell commented that further evidence had been requested to demonstrate implementation of agreed actions. In response to a question from Mrs Stewart, the Director of Finance explained that in some cases, the evidence required was to demonstrate that general, less tangible issues had been addressed and this was inherently more challenging to produce than evidence of procedural issues. Mr Rundell also commented on the interdependencies of many of the actions being taken.
2. The review of key ICT installations was progressing well and Audit Scotland were reviewing evidence obtained to provide a focus for reporting.
3. The review of ICT preparedness for Ambulatory Care and Diagnostic Centres was in progress and was on target to report by the end of July 2008.

It was agreed that the Audit Scotland ICT specialist auditor should attend the meeting of the Audit Committee on 9 September 2008 when the Director of Health Information and Technology would also be present.

**Audit Scotland**

AUDIT COMMITTEE: 10 JUNE 2008

ACTION BY

Governance

A draft report had been issued to the Head of Financial Services identifying a number of matters arising during the audit of the annual accounts. Mr Rundell reported that action had been taken, or was being taken, by management to address the issues in the report.

Performance

1. Work on the review of Financial Management – Use of Resources was delayed on a national basis to allow priority to be given to the financial statements audit and to enable consideration to be given to a consistent approach to matters of good practice. There were no issues arising from this work which would impact on the audit opinion.
2. The updating of the baseline review of best value arrangements continued and was on target to meet the reporting deadline of 31 July 2008.

Financial Statements

Mr Rundell reported that audit work had commenced on schedule and commented on the high quality of the working papers and supporting evidence provided by the Head of Financial Services and his staff. A report would be presented to the Audit Committee on 24 June 2008.

**Audit Scotland**

National Fraud Initiative

A national report had been issued in May 2008 detailing the findings from the National Fraud Initiative 2006/2007 across the public sector as a whole. A total of £9.7m had been identified in respect of frauds, overpayments and errors. While the health sector accounted for only a small proportion of these savings, the exercise had been valuable in raising fraud awareness and creating a counter fraud culture.

NOTED

**28 INTERNAL AUDIT PROGRESS REPORT JUNE 2008**

A report of PricewaterhouseCoopers (Audit Paper No 08/13) was presented asking Members to note progress against the internal audit plan. Mr Gray (PricewaterhouseCoopers) summarised the overall position and reported that 12 reports had been finalised since the last meeting of the Audit Committee. All fieldwork in respect of the 2007/2008 internal audit plan was complete. Mr Gray drew Members attention to work carried to support the Risk Management Steering Group and to the key findings of the review of Patient Safety – Medication Incidents. A policy was currently being developed for the Safe and Secure Handling of Medicines and in response to a question from Mrs Stewart, Mr Gray noted that this draft Policy appeared robust but the challenge would be in implementing it successfully.

Mr White (PricewaterhouseCoopers) summarised the main findings from the review of the process for Budgetary Control and Financial Reporting. The process was underpinned by a clear and accepted

AUDIT COMMITTEE: 10 JUNE 2008

ACTION BY

accountability framework and supported by a dedicated and experienced management accounting team. In addition to identifying some areas of good practice, the audit report identified a number of medium priority actions agreed with management including the timing of the approval of the financial plan and the implementation of formal schemes of delegation.

Mr White highlighted the main issues to emerge from the review of the Capital Planning Process. Areas of good practice had been identified including the clear link between the Capital Plan and the Board's overall strategy as contained within the Local Delivery Plan. A number of medium priority actions had been identified and agreed with management including production of a rolling 3 year Capital Plan and improvements in internal processes to ensure information on the capital position was timely and accurate.

In response to a question from Mrs Stewart, Mr Revie (PricewaterhouseCoopers) explained that during the year there had been some cases of delay in providing the management response which resulted in delays in finalising audit reports. It was agreed that future progress reports to the Audit Committee and Audit Support Groups would include the dates of commencement of fieldwork, issue of draft reports to management and finalisation of reports.

**Pricewaterhouse  
Coopers**

NOTED

**29 INTERNAL AUDIT REPORT: CORPORATE PERFORMANCE REPORTING**

A report of PricewaterhouseCoopers (Audit Paper No 08/14) was presented asking Members to note the findings of the internal audit report on Corporate Performance Monitoring. Ms Caldwell (PricewaterhouseCoopers) explained that the audit review had taken a top down approach; in consultation with management, four objectives had been selected from the Corporate Performance Report and followed through to different parts of the organisation. Ms Caldwell drew Members attention to the overall conclusion that there was opportunity to clarify the delegation of responsibilities for delivering progress against corporate objectives. This was well understood by management and an action plan had been agreed for the nine recommendations made in the internal audit report.

The Head of Performance and Corporate Reporting described how the process for Corporate Performance Reporting was continuously evolving. The internal audit report captured a particular point in time and allowed a sharper focus on those areas where progress had not yet fully met expectations. The Head of Performance and Corporate Reporting agreed with the report's main conclusion and commented on the progress being made to provide greater clarity to the delegation of responsibility for delivery against targets and sub-targets. Members' attention was drawn to the areas of progress highlighted on page 12 of the internal audit report, including the naming of an accountable officer for each HEAT target for 2008/2009. In response to questions from Mrs Stewart and the Convener, the Head of Performance and Corporate Reporting explained that progress had been made to achieve more consistency in the reporting of performance information.

AUDIT COMMITTEE: 10 JUNE 2008

ACTION BY

Responding to a question from Mr Sime, the Head of Performance and Corporate Reporting commented on the need to make clear to individual entities within the organisation their specific targets and the contribution required of them.

The Convener commented that the internal audit report provided assurance to the Audit Committee and thanked the Head of Performance and Corporate Reporting for her contribution.

NOTED

**30 INTERNAL AUDIT ANNUAL REPORT 2007/2008**

A report of PricewaterhouseCoopers (Audit Paper No 08/15) was presented asking Members to note the Internal Audit Annual Report for 2007/2008. Mr Revie (PricewaterhouseCoopers) explained that the NHS Internal Audit Standards required the Head of Internal Audit to provide a written report to the Accountable Officer timed to inform the organisation's annual Statement on Internal Control. While this report represented a key element of the assurance framework, Mr Revie reminded Members that there were other sources of assurance which should also be taken in account in considering the Statement on Internal Control.

Mr Revie drew attention to the summary of recommendations on page 3 of the report. During 2007/2008, one critical and thirteen high risk recommendations had been made. Details of these were included in an appendix to the report together with the management response showing the action taken or planned. All other recommendations had been medium (95) or low risk (46). As a result, the internal auditors were able to give moderate assurance on the adequacy and effectiveness of the system of internal control. Moderate assurance was provided where mostly low and medium rated risks had been identified during the course of the audit work but where there had also been some high or critical risk recommendations. These risks were not pervasive to the system of internal control and there were identifiable and discrete elements of the system of internal control which were adequately designed and operating effectively. The level of assurance was therefore moderated by these risks and a high level of assurance could not be provided.

In response to a question from Mrs Stewart, the Director of Finance explained that the critical and high risk recommendations were the subject of the normal monitoring process and a report on progress on implementation would be presented to the Audit Support Group – Corporate and Partnerships in August 2008.

Financial Governance  
and Audit Manager

NOTED

**31 INTERNAL AUDIT ANNUAL PLAN 2008/2009**

A report of PricewaterhouseCoopers (Audit Paper No 08/16) was presented asking Members to approve the Internal Audit Annual Plan for 2008/2009. Mr White (PricewaterhouseCoopers) described the process to develop the plan. To ensure the plan fully addressed the

AUDIT COMMITTEE: 10 JUNE 2008

ACTION BY

key risks facing the Board, the Corporate Risk Register was reviewed to identify the key risks and these were mapped to the content of the internal audit plan. The planning process also included a range of discussions with senior managers. The result was a plan consisting of 14 areas of audit focus spread over

1. Corporate and organisational wide reviews;
2. Organisational wide support arrangements;
3. Acute reviews;
4. Community reviews;
5. Community Health (and Care) Partnerships reviews;
6. Mental Health Partnership reviews;
7. Follow up and project management.

Mr White drew Members attention to the protocols agreed with Glasgow City Council Internal Audit for joint working in respect of the audit of Community Health and Care Partnerships. A joint plan had been developed and was incorporated into the Annual Plan for 2008/2009. Under the agreed protocols, audit reports would be considered by the Audit Committees of both the NHS Board and Glasgow City Council. In addition, PricewaterhouseCoopers would maintain a dialogue with the internal auditors of East Renfrewshire Council during 2008/2009.

Mrs Stewart commended the identification within the plan of a sponsor for each assignment. In response to a question from the Director of Finance, Mr Revie (PricewaterhouseCoopers) confirmed that while the content of the plan may change during the course of the year, the total number of mandays required to deliver the plan would not increase beyond the current total of 900.

DECIDED:

That the Internal Audit Annual Plan 2008/2009 be approved.

**Pricewaterhouse  
Coopers**

**32 COUNTER FRAUD SERVICES: PROACTIVE PLAN 2008/2009**

A report of the Financial Governance and Audit Manager (Audit Paper No 08/17) was presented seeking approval of the plan for proactive work 2008/2009 by NHS Scotland Counter Fraud Services (CFS). The Financial Governance and Audit Manager explained that the Scottish Government had issued a new NHS Scotland Counter Fraud Strategy (the Strategy) in January 2008. One of the key themes of the Strategy was the delivery by CFS of a programme of proactive work. This programme included both national and locally based reviews. Two locally based reviews for NHS Greater Glasgow and Clyde had been discussed and agreed with management and would focus on

- Checking the process for reporting overtime to the payroll department;
- Reviewing the reimbursement of non domestic rates to dentists.

AUDIT COMMITTEE: 10 JUNE 2008

ACTION BY

DECIDED:

That the NHS Scotland Counter Fraud Services Proactive Plan 2008/2009 be approved.

**NHS Scotland Counter  
Fraud Services**

**33 DRAFT STATEMENT ON INTERNAL CONTROL 2008/2009**

A report of the Financial Governance and Audit Manager (Audit Paper No 08/18) was presented asking members to approve

1. A report on the review of the system of internal control 2007/2008;
2. The Annual Fraud Report 2007/2008;
3. The Statement of Assurance by the Audit Committee;
4. The Statement on Internal Control 2007/2008.

The Financial Governance and Audit Manager explained that as Accountable Officers, the Chief Executives of NHS Boards were required to sign a Statement on Internal Control (SIC) as part of the Annual Accounts. The purpose of the SIC was to describe the effectiveness of the organisation's system of internal control and if any aspect of this system was found to be unsatisfactory, details should be disclosed in the SIC. In accordance with guidance issued by the Scottish Government, the Audit Committee was required to undertake a review of the NHS Board's system of internal control with the results of this review reported to the NHS Board to inform the content of the SIC.

Appendix 1 of the report provided a number of sources of assurance to the Audit Committee including

- Review of the Board's arrangements against the relevant guidance issued by the Scottish Government;
- Statements of Assurance issued by the Risk Management Steering Group, Clinical Governance Committee, Staff Governance Committee and Audit Support Groups;
- The work of internal audit, external audit and the service auditors in respect of national services;
- The Statement of Accounts;
- The process for monitoring property transactions;
- Details of losses and compensation payments.

In addition, attention was drawn the Annual Fraud Report for 2007/2008 which was included at Appendix 2 to the main report. This described the Board's arrangements to prevent and detect fraud and summarised the levels of fraud occurring. The Annual Fraud Report also gave details of the outcome of the National Fraud Initiative (NFI) 2006/2007 for NHS Greater Glasgow and Clyde. Only one minor fraud was discovered to have been committed against the Board and that had not resulted in damage or financial loss.

On the basis of the evidence presented within the Appendices 1 and 2 to the report, it was concluded that there were no issues which required to be disclosed in the SIC. A Statement of Assurance from the Audit Committee to the NHS Board had been drafted to this effect

ACTION BY

and was included as Appendix 3 to the report.

DECIDED:

- 1) That the Report on the System of Internal Control 2007/2008 be approved;
- 2) That the annual Fraud Report 2007/2008 be approved;
- 3) That the Statement of Assurance by the Audit Committee be approved and submitted to the NHS Board on 24 June 2008, allowing the SIC to be finalised for conclusion with the Board's Statement of Accounts.

**Director of Finance**

**34 DRAFT DIRECTORS' REPORT AND STATEMENTS OF RESPONSIBILITIES 2007/2008**

A report of the Director of Finance (Audit Paper No 08/19) was presented asking Members to approve the narrative elements of the Annual Accounts i.e. draft Directors' Report, Statements of Responsibilities and Statement on Internal Control. The Director of Finance explained that given the tight timetable for the production and audit of the annual accounts, a meeting of the Audit Committee had been convened immediately prior to the meeting of the NHS Board on 24 June 2008. At that meeting, Members would consider the entire Annual Accounts pack i.e. the narrative elements and the Financial Statements.

To facilitate this process, the narrative elements were being presented at this meeting to allow Members to consider them prior to their consolidation into the Annual Accounts. As a result, some of the figures quoted in the Directors' Report may be subject to change during the conclusion of the audit process.

The Director of Finance drew Members attention to the following matters within the Directors' Report.

- Commentary on the Environmental Policy would be added.
- The remuneration report had been simplified; in addition, a note would be added to explain the effect of arrears of pay.

**Financial Governance and Audit Manager**

**Divisional Financial Governance Manager**

The Head of Board Administration drew Members attention to page 8 of the Directors' Report where details were given of related party transactions. This section would be amended to reflect all Members' connections with parties with whom the Board had contracted for the provision of services.

**Divisional Financial Governance Manager**

In response to questions from Mrs Stewart, it was agreed to amend the section identifying Members to give greater clarity.

**Divisional Financial Governance Manager**

DECIDED:

That subject to the agreed amendments, the draft Directors' Report and Statements of Responsibilities and Internal Control be approved for inclusion in the Annual Accounts.

**Director of Finance**



AUDIT COMMITTEE: 10 JUNE 2008

ACTION BY

**35 AUDIT SUPPORT GROUPS**

**35(a) CORPORATE AND PARTNERSHIPS: MINUTES OF MEETING ON  
19 MAY 2008 [ASG CP (M) 08/02]**

NOTED

**35(b) ACUTE: MINUTES OF MEETING ON 14 MAY 2008 [ASG A (M)  
08/02]**

NOTED

**36 DATE OF NEXT MEETING**

The next meeting was scheduled for Tuesday 24 June 2008 at 8.30  
a.m.

The meeting ended at 12.35 p.m.