A (M) 08/06
Minutes: 59 – 71

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 11 November 2008 at 9.30 a.m.

PRESENT

Mrs E Smith (Chair)
Mr P Hamilton
Cllr J Handibode
Mr I Lee
Mr D Sime
Mrs A Stewart MBE

IN ATTENDANCE

Mr D Griffin	Director of Finance
Mr I Reid	Director of Human Resources (To Minute 63)
Ms J Livingstone	KSF Manager (To Minute 62)
Mr P Ramsay	Head of Operational Financial Services (To Minute 64)
Mr A Lindsay	Financial Governance and Audit Manager
Mr C D Revie	PricewaterhouseCoopers (To Minute 65)
Mr M White	PricewaterhouseCoopers
Mr D McConnell	Audit Scotland
Mr J Rundell	Audit Scotland

ACTION BY

59 APOLOGIES

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

60 MINUTES

On the motion of Mr Lee, seconded by Mrs Stewart, the Minutes of the meeting on 9 September 2008 [A (M) 08/05] were approved as a correct record and signed by the Convener.

61 MATTERS ARISING FROM THE MINUTES

In respect of Minute 45 (Use of Medical Locums), Mr Hamilton reported that there were very robust procedures in place to control the use of GP Locums within the Board's area.

ACTION BY

62 INTERNAL AUDIT REPORT: KNOWKEDGE AND SKILLS FRAMEWORK

A report of PricewaterhouseCoopers (Audit Paper No 08/33) was presented asking Members to note the internal audit report on the Knowledge and Skills Framework (KSF). Mr Revie (PricewaterhouseCoopers) explained that while the implementation of KSF presented considerable challenges, the report was a positive one.

The Director of Human Resources explained that the HEAT targets required all NHS Boards to ensure that all Agenda for Change staff had an agreed Personal Development Plan by 31 March 2009. NHS Greater Glasgow and Clyde had set an internal deadline of 31 December 2008. Progress was monitored via the individual objectives set for Executive Directors and by the Planning, Policy and Performance Group. In addition, progress against the KSF deadline was considered as part of the Organisational Performance Review. The KSF Manager then described how the Board had decided upon an approach based on devolved ownership and accountability. A KSF Lead had been identified for each part of the organisation and the KSF Manager met regularly with these leads.

With regard to the two "high risk" recommendations made by the internal auditors, the KSF Manager described the action taken.

1. Until the eKSF tool could be fully implemented, reliance would continue to be placed on paper-based reporting and the KSF Central Team would monitor and highlight where KSF leads did not report progress in accordance with the agreed timescales.

2. Work continued to establish an accurate staffing number which reconciled with the information from the Information and Statistics Division (ISD) on which the Board's performance against the HEAT targets would be measured.

In response to questions from Mr Lee, the KSF Manager explained the progress made in reconciling the discrepancy between the ISD baseline staffing figure and the Board's own figure. The original discrepancy of 5,000 had been reduced to less than 2,000. Replying to questions from Mrs Smith and Mr Hamilton, the KSF Manager confirmed that progress towards the deadline was very good within Community Health and Care Partnerships and that KSF only applied to CHCP staff employed by the Board. In response to a further question from Mr Hamilton, the KSF Manager explained how the quality of PDPs was monitored and how this process would be further enhanced by the implementation of the eKSF tool. In addition, the internal auditors planned to re-visit this area in 12-18 months. In reply to questions from Mrs Stewart and Mr Sime, the KSF Manager described the training progamme planned for the period to the HEAT deadline of 31 March 2009 and beyond, including on line training. Mrs Stewart commented on the extent to which staff had access to computers and Mr Sime noted that this issue would become clearer once the results of the current staff survey were known. In response to a question from

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Mrs Smith, the KSF Manager commented that the Board's internal target of 31 December 2008 might not be fully achieved but there was confidence that the HEAT deadline of 31 March 2009 would be fully achieved.

NOTED

63 INTERNAL AUDIT REPORT: FOLLOW UP OF HIGH PRIORITY RECOMMENDATIONS

A report of PricewaterhouseCoopers (Audit Paper No 08/34) was presented asking Members to note the report by the internal auditors in respect of their follow up review of high priority recommendations made in 2007/2008. Mr White (PricewaterhouseCoopers) explained that as agreed at the previous meeting and given the significance of the subject matter, the internal auditors had carried out a detailed follow up review of the audits of Recruitment of Foreign Nationals and Use of Medical Locums. Of the seventeen recommendations made in total, eleven (65%) had been fully implemented and six (35%) had been partially implemented. Action continued to be taken to address the six partially implemented recommendations. Mr White drew Members' attention to the section of the report which gave details of the work carried out by the internal auditors to evidence their review. Mr White summarised the main findings of the review including the following matters.

In respect of Recruitment of Foreign Nationals, Mr White noted in particular the progress made in implementing the Partnership Information Network guidelines "Safer Pre and Post Employment Checks" and the centralisation of the recruitment function. Mr White commented on the further work required in respect of the storage of personnel files and the consideration of a central depositary for records storage. In reply to a question from Mrs Stewart, the Director of Human Resources commented on the issues surrounding the storage of personnel files and records and undertook to report to a future meeting of the Audit Committee on the progress of work in this regard. **Director of Human Resources**

In respect of the Use of Medical Locums, Mr White reported that progress in implementing the recommendations had been generally good with only a few minor housekeeping issues to be resolved. Some further work in respect of testing medical locum files was on going in order to complete fully this review. In response to a question from Mrs Smith, Mr White commented that the review had not identified any locums who had been engaged on a long term basis. Replying to question from Cllr Handibode, Mr Revie (PricewaterhouseCoopers) explained that while there were no national guidelines on the use of locums and each NHS Board set its own arrangements, these arrangements were broadly similar.

NOTED

64 INTERNAL AUDIT PROGRESS REPORT 2008/2009

A report of PricewaterhouseCoopers (Audit Paper No 08/35) was presented asking Members to note progress against the internal audit

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annual plan. Mr Revie (PricewaterhouseCoopers) reported that there was a significant level of internal audit activity presently underway and he was confident that all reports would be completed by 31 March 2009. Mr Revie then summarised the main issues to emerge from the audits concluded since the last meeting of the Audit Committee.

Savings Programme – Review of Corporate Functions

As part of the overall savings programme, a series of strategic reviews were being undertaken to identify savings and one of the review areas was Corporate Functions. Internal audit would support management in identifying the scope for savings in the corporate support functions through application of a diagnostic tool and a series of workshops across eight business functions at corporate level. In response to a question from Mr Lee, Mr Revie confirmed that this benchmarking process would also include good practice from the commercial sector.

Information Governance

Mr Revie reminded Members that the Statement on Internal Control for 2008/2009 would explicitly require to include a report on information governance within NHS Greater Glasgow and Clyde. In addition, he explained that following several highly publicised data security breaches within the public sector, the Government commissioned PricewaterhouseCoopers to review information governance within the government and public sector (the Poynter Review). Following discussions with the Director of Finance and Director of Health Information and Technology, it was proposed to use some of the days within the Internal Audit Annual Plan 2008/2009 to undertake a review of information governance within NHS Greater Glasgow and Clyde using the diagnostic tool developed during the Poynter Review.

NHS Quality Improvement Scotland (QIS)

Mr Revie explained that internal audit would assist the Board by providing independent evidence and assurance to support the Board's submission in respect of the NHS QIS Peer Review planned for September 2009. The internal auditors were in discussion with the Head of Clinical Governance and Risk Management to develop an appropriate work programme. In response to questions from Mrs Smith and Mr Hamilton, the Director of Finance confirmed that all risk registers were included in the ongoing review process and a report would be presented to the Audit Committee on 27 January 2009. **Head of Clinical Governance and Risk Management**

Treasury Management – Bank Reconciliations

Mr White commented on the use of an income suspense account to hold a number of reconciling items. The Head of Operational Financial Services (OFS) described how difficulties had been experienced in identifying the correct account code and cost centre to which income should be allocated and gave examples of the type of income affected by these difficulties. This issue had to considered in the context of the high volume of transactions which were routinely processed each week. In conjunction with Managements Accounts staff, a process had been put in place to enable income to be allocated timeously to the

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correct account code and cost centre. In response to questions from Mr Lee, the Head of OFS confirmed the arrangement for tracking the reconciling items and reported that Management Accounts staff were pursuing the outstanding items. Mr White noted the continued progress in rationalising the number of bank accounts and in response to a question from Mrs Smith, the Head of OFS explained the minimum number of bank accounts would be 3 – 4.

Creditors

The Head of OFS commented that there had been a desire to have the creditors' process audited in the early part of the financial year. Added importance was given by the actions of an employee of one of the Board's creditors in fraudulently attempting to change the suppliers' bank details to divert payment to him. While this attempt had been discovered and was under investigation by the Police, it had highlighted potential weaknesses in the process for receiving change of bank details from suppliers. The Head of OFS then described the changes which had been made to address these weaknesses and confirmed that the internal auditors would carry out a follow up review of this area.

Property Transactions Monitoring

Mr Revie commented that this matter had been previously reported to the Audit Committee on 9 September 2008 and confirmed that the property transactions covered in the report had all been classed as Category A i.e. the transactions appear to have been properly conducted.

Medical Records Management

Mr White reported that the review of medical records management had identified no high risk recommendations and summarised a number of areas where recommendations had been made to enhance physical security and control of medical records at specific sites. Mr White commented on the challenges presented in creating a paper-light environment within the new ambulatory care hospitals.

Community Health and Care Partnerships: Financial Planning and Budgetary Control

Mr Revie explained that a joint approach to the internal audit of Community Health and Care Partnerships had been agreed with the internal auditors of Glasgow City Council (GCC). The first audit under this joint arrangement related to financial planning and budgetary control and a draft report was being discussed with the GCC internal auditors.

NOTED

65 AUDIT SCOTLAND PROGRESS REPORT No 1: NOVEMBER 2008

A report of Audit Scotland (Audit Paper No 08/36) was presented asking Members to note progress against the main streams of work

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undertaken as part of the audit of the Board's accounts. Mr Rundell (Audit Scotland) described how the audit planning process was driven by the Priorities and Risks Framework (PRF) document which focussed on seven main topics: - service redesign & sustainability, scrutiny & governance, financial management & affordability, capacity to deliver, effective partnership working, patient safety & clinical governance and performance management. The draft audit plan would be presented to the next meeting of the Audit Committee. **Audit Scotland**

Mr Rundell commented that two outputs remained in respect of the 2007/08 audit plan:–

- Financial Management Best Value – Use of Resources and
- the Position Statement – Best Value Baseline Information Update.

Both reports would be considered later in the meeting.

In terms of governance, Mr Rundell reported that the annual review of the internal audit service had been concluded and described the areas where Audit Scotland would rely upon the work of internal audit. In addition, two joint exercises were planned with internal audit in respect of Health Information and Technology. Mr Rundell highlighted the key aspects of the timetable for the audit of the financial statements and described Audit Scotland's responsibilities in respect of the International Financial Reporting Standards (IFRS) and the production of shadow IFRS based accounts for 208/09. Replying to a question from Mr Lee, Mr Rundell confirmed that comment would be made to the Audit Committee on any calculation-related issue identified by Audit Scotland during their work to review IFRS compliance.

In conclusion, Mr Rundell drew attention to the on-going programme of national studies by Audit Scotland's Public Reporting Group and to the progress of the National Fraud Initiative 2008/2009.

NOTED

66 AUDIT SCOTLAND: FINANCIAL MANAGEMENT – BEST VALUE – USE OF RESOURCES

A report of Audit Scotland (Audit Paper No 08/37) was presented asking Members to note the report by Audit Scotland on their Best Value Review of the use of resources in respect of financial management.

Mr McConnell (Audit Scotland) described how, as part of the developing approach to the audit of Best Value in Health and Central Government, Audit Scotland applied the first of a series of diagnostic toolkits designed to consider how bodies perform in the use of their resources. Four descriptors are available to capture levels of development or performance:-

- Does not meet basic requirements
- Basic practices
- Improving practices
- Advanced practices.

66 (Cont'd) ACTION BY

Mr McConnell highlighted that Audit Scotland's evaluation of NHS Greater Glasgow and Clyde across the five good practice areas were "Improving Practices" or "Advanced Practices." A robust process had been followed to ensure consistency across NHS Scotland and the issue of reporting at national level was still under consideration. Mr McConnell explained that it for individual Boards to identify their own action plan and in response to a question from Mr Lee, the Director of Finance explained that an action plan would be developed by the Head of Corporate Financial Reporting and Audit and the Financial Governance and Audit Manager. Replying to a question from Mr Sime on the applicability of this approach to clinical care, Mr McConnell referred to the work of NHS QIS and the Director of Finance commented on the HEAT targets in this context.

Head of Corporate Financial Reporting & Audit/ Financial Governance & Audit Manager

NOTED

67 AUDIT SCOTLAND: POSITION STATEMENT- BEST VALUE BASELINE INFORMATION UPDATE

A report of Audit Scotland (Audit Paper No 08/38) was presented asking members to note the Position Statement in respect of their Best Value Baseline Information Update.

Mr McConnell (Audit Scotland) explained that a baseline review of Best Value was carried out in 2005/2006 by external auditors across NHS Scotland. The original baseline information had been reviewed by Audit Scotland and updated to reflect the current position. Overall, Audit Scotland were satisfied that NHS Greater Glasgow and Clyde had developed arrangements to support the accountable officer's duty of Best Value and demonstrate continuous improvement although there was scope to do more in terms of communicating how Best Value was being delivered through its plans. Future work by Audit Scotland on Best Value would be based on the series of toolkits being developed as described in the previous item on the Agenda.

NOTED

68 PROPERTY TRANSACTIONS MONITORING 2007/2008

A report of the Financial Governance and Audit Manager (Audit Paper No 08/39) was presented asking Members to approve for submission to the Scottish Government Health Directorates the internal audit report on property transactions concluded in the year ended 31 March 2008.

The review of property transactions had been carried out and the report prepared in accordance with the NHS Scotland Property Transactions Handbook (the Handbook). A total of eleven transactions had been reviewed and all had been assessed by the internal auditors as Category A as defined in the Handbook i.e. the transactions appear to have been properly conducted. As agreed at the meeting of the Audit Committee on 9 September 2008 (Minute 52 refers), a copy of the report in draft form had been submitted to the Scottish Government Health Directorates in accordance with the agreed process prior to the deadline of 31 October 2008.

68 (Cont'd) ACTION BY

DECIDED:

That the internal audit report on Property Transactions Monitoring 2007/2008 be submitted to the Scottish Government Health Directorates. **Financial Governance and Audit Manager**

69 AUDIT SUPPORT GROUPS

69(a) CORPORATE AND PARTNERSHIPS: MINUTES OF MEETING ON 22 OCTOBER 2008 [ASG CP (M) 08/04]

NOTED

69(b) ACUTE: MINUTES OF MEETING ON 23 OCTOBER 2008 [ASG A (M) 08/04]

NOTED

70 ANY OTHER COMPETENT BUSINESS

Mrs Stewart raised the issue of the financial implications of implementing revised catering menus to reflect the NHS Board's equality and diversity policy. Mr White (PricewaterhouseCoopers) undertook to consider this issue in preparing for the audit of catering included in the internal audit annual plan 2008/09. **Pricewaterhouse Coopers**

71 DATE OF NEXT MEETING

The next meeting was scheduled for Tuesday 27 January 2009 at 9.30 a.m.

The meeting ended at 12.10 p.m.

Convener:

Date: 27 January 2009