

MINUTE NOT YET APPROVED AS A CORRECT RECORD

AUDIT COMMITTEE: 9 JUNE 2009

A (M) 09/03
Minutes: 29 – 44

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 9 June 2009 at 9.30 a.m.**

PRESENT

Mrs E Smith (Chair)
Mr P Daniels OBE (to Minute 36)
Mr P Hamilton
Cllr J Handibode (from Minute 35)
Mr I Lee
Mrs J Murray
Mr D Sime

IN ATTENDANCE

Mr D Griffin	Director of Finance (from Minute 31)
Ms A Hawkins	Director, Mental Health Partnership (for Minute 34)
Mr J Hamilton	Head of Board Administration (from Minute 31)
Mr A Lindsay	Financial Governance and Audit Manager (from Minute 31)
Mr P Ramsay	Head of Operational Financial Services (from Minute 35)
Mr M Gillman	Divisional Financial Governance Manager (from Minute 35)
Mr C D Revie	PricewaterhouseCoopers (except Minute 29)
Mr M White	PricewaterhouseCoopers (except Minute 29)
Mr J Rundell	Audit Scotland (except Minute 30)
Mr J Davidson	Audit Scotland (except Minute 30)
Mr B Deans	Audit Scotland (except Minute 30)

ACTION BY

29 PRIVATE MEETING WITH EXTERNAL AUDITORS

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

30 PRIVATE MEETING WITH INTERNAL AUDITORS

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

MINUTE NOT YET APPROVED AS A CORRECT RECORD

AUDIT COMMITTEE: 9 JUNE 2009

ACTION BY

31 APOLOGY

An apology was intimated on behalf of Ms A Coulthard.

32 MINUTES

On the motion of Mr Hamilton, seconded by Mr Lee, the Minutes of the meeting on 24 March 2009 (M) 09/01] were approved as a correct record and signed by the Convener.

33 MATTERS ARISING FROM THE MINUTES

In respect of Minute 17, the Financial Governance and Audit Manager, reported that the missing procurement documentation could still not be found. This was thought to be an isolated incident and there was clear evidence that the proper procurement process had been followed albeit that some of the documentation could not be traced. By way of context, the project in question had received funding from a number of sources including the NHS Board's contribution of approximately £7,000.

Replying to a question from Mr Lee in respect of Minute 20, Mr Rundell (Audit Scotland) explained that the calculation of the accrual for untaken annual leave would be considered by Audit Scotland during their review of the shadow International Financial Reporting Standards accounts.

Audit Scotland

34 INTERNAL AUDIT REPORT: CARE GOVERNANCE – MENTAL HEALTH PARTNERSHIP

A report of PricewaterhouseCoopers (Audit Paper No 09/16) was presented asking Members to note the report on the internal audit of the arrangements for care governance within the Mental Health Partnership. The Convener welcomed Mrs Anne Hawkins, Director of the Mental Health Partnership (MHP) to the meeting.

Mrs Hawkins commented on the complexity of the care governance arrangements which underpinned Mental Health Services within NHS Greater Glasgow and Clyde and explained the key responsibilities of the Mental Health Partnership:-

- Adult Inpatient Mental Health Services
- Area responsibilities e.g. Forensic and Eating Disorders
- Mental Health Planning and Performance Management.

Where services were delivered via Community Health (and Care) Partnerships [CH(C)Ps], the care governance arrangements within the MHP linked to those within CH(C)Ps. Care Governance, rather than Clinical Governance was the term used to reflect the integration of health and social work services. Mrs Hawkins explained how care governance worked within the MHP including the role of overarching groups with particular reference to the MHP Care Governance Executive Group, the MHP Care Governance Committee and the role of the MHP Medical Director.

Mrs Hawkins stated that she had found the internal audit report very helpful. All recommendations had been accepted and would be

34 (Cont'd)

incorporated into the care governance action plan. A named manager had been nominated to implement each recommendation but given the complexity of the care governance arrangements, each designated manager would have to engage with others to achieve implementation of the recommendation.

In response to questions from Mr Hamilton, Mrs Hawkins

- described the planning process for presentations to the MHP Care Governance Committee;
- commented on the commitment required to maintain the Involving People Committee and confirmed there was good user involvement.

Replying to questions from Mrs Smith and Mr Hamilton, Mrs Hawkins explained that all Elderly Mentally Ill in-patient beds were managed via local CH(C)Ps while all Child and Adolescent beds were managed via East Glasgow CHCP. This arrangement worked well; site issues lay with the MHP and there was a good working relationship between the Head of Mental Health and the Heads of Community Care. In answer to a question from Mr Lee, Mrs Hawkins described the Care Governance arrangements for the Clyde area and how these now fell under the overarching care governance arrangements for NHS Greater Glasgow and Clyde.

Mr White (PricewaterhouseCoopers) drew Members attention to the organisational charts contained within the appendices to the internal audit report and how these were indicative of the complexity of the subject. He commented on the challenges in addressing the recommendations within the report, particularly the issues of sharing good practice and the inclusion of Clyde within the overall care governance arrangements. Mrs Hawkins explained that the report would be presented to the MHP Care Governance Committee and a detailed response would be prepared.

Mr Daniels and the Director of Finance commented on the strong level of assurance which the report provided. The Convener thanked the Mrs Hawkins for her contribution to the discussion.

NOTED

35 **AUDIT SCOTLAND PROGRESS REPORT 2008/09**

A report of Audit Scotland (Audit Paper No 09/08) was presented asking Members to approve the report describing progress in respect of each of the streams of work undertaken as part of the annual audit process. Mr Rundell (Audit Scotland) drew Members' attention to Appendix 1 of the report which showed progress towards each of the planned outputs from the audit. The time taken by management to respond had been included for the first time to provide greater clarity around the process. Mr Rundell summarised progress against each of the main streams of work undertaken.

MINUTE NOT YET APPROVED AS A CORRECT RECORD

AUDIT COMMITTEE: 9 JUNE 2009

ACTION BY

35 (Contd)

Governance

Audit Scotland had liaised with internal audit to avoid duplication of effort and were able to place reliance on the work of internal auditors in respect of certain agreed key areas.

A report had been issued to management on the outcome of the review of internal controls within systems, including the follow up of implementation of agreed actions arising from the previous year's report. No significant issues had been identified and good progress had been made in implementing the previous year's recommendations.

Mr Rundell reported progress of work in respect of Health Information and Technology (HIT) including the review of the Picture Archiving System and Data Handling. At the most recent meeting of the Audit Support Group – Corporate and Partnerships, it had been agreed that the current HIT audits being undertaken by Audit Scotland and by internal audit would be reported to the meeting of the Audit Committee on 27 October 2009 when the Director of HIT would be in attendance.

**Financial Governance
& Audit Manager**

At the request of the Scottish Government, Audit Scotland had carried out a brief review of NHS Boards' staff governance action plans. In respect of NHS Greater Glasgow and Clyde, Audit Scotland noted that there was a robust process in place for the production of its staff governance action plan.

Financial Statements

Mr Rundell reported that the audit of the financial statements had commenced on time and that management had provided a comprehensive package of working papers. Audit Scotland had met weekly with management to clarify minor issues and Mr Rundell described the clearance process for concluding the audit.

Mr Rundell drew Members' attention to the issue of Equal Pay and explained that after discussion with the Director of Finance of the Scottish Government Health Finance Directorate and with the Central Legal Office, Audit Scotland had decided to add an explanatory paragraph to the standard audit opinion to ensure that users' attention was drawn to the issue of Equal Pay. Mr Rundell emphasised that this did not constitute a qualification of the audit opinion.

Performance

Mr Rundell reminded Members' of the process which had been agreed to deal with reports issued by Audit Scotland's Public Reporting Group and gave details of the reports which had been dealt with under this process.

Best Value

Mr Rundell referred to the leaflet produced by Audit Scotland setting out the approach to the audit of Best Value (BV) in the NHS and which had been issued to Members. A range of 19 audit toolkits was being

ACTION BY

35 (Contd)

developed covering the key BV principles. Initial priority in respect of the NHS was the application of the toolkit for “use of resources”. Mr Rundell described how this process would lead eventually to an overall judgement on how NHS Boards were delivering BV. With regard to the current year, Audit Scotland’s focus would be on “use of resources” with regard to information management and efficiency.

National Fraud Initiative

Mr Rundell reported that management continued to progress with work on the National Fraud Initiative.

Mr Lee noted that in respect of Equal Pay, there had been no explanatory paragraph within the audit opinion for 2007/2008 and asked what had changed to cause Audit Scotland to insert an explanatory paragraph in the 2008/2009 opinion. In response, Mr Rundell explained that advice had been sought from technical staff within Audit Scotland and from the Central Legal Office. A direction had come from the Audit Scotland Director of Audit Strategy and Mr Rundell undertook to provide a copy of this. Inclusion of the paragraph in this year’s opinion had been prompted by the possible outcome from a test case being heard in the English courts, albeit that that case had now fallen. In reply to a further question by Mr Lee in respect of the quantum of risk in this matter, the Director of Finance explained that Equal Pay continued to be an area of uncertainty and it was not possible, or indeed appropriate, at this point to attempt to quantify the risk as there was still no precedent to inform this process.

Audit Scotland

APPROVED

36 **INTERNAL AUDIT PROGRESS REPORT: MAY 2009**

A report of PricewaterhouseCoopers (Audit Paper No 09/18) was presented asking Members to note the report on progress against the internal audit annual plan in the period to May 2009. Mr White (PricewaterhouseCoopers) reported that planned internal audit work for 2008/2009 was now complete with three areas of work carried forward into the first quarter of 2009/2010 to allow management to focus on the move to the new Ambulatory Care Hospitals and on the current flu outbreak.

Mr White described the internal auditors’ project assurance role in respect of

- Clinical Governance – Quality Improvement Scotland;
- Human Resources – Information and Records Retention;
- Shared Support Services Programme – eExpenses;
- Procurement of the new Patient Administration System;
- New Southern General Hospital – Project Governance.

In reply to a question from Mrs Smith, Mr Revie (PricewaterhouseCoopers) explained that the eExpenses system

36 (Contd)

offered a more robust authorisation process than that under a manual system. Answering a question from Mr Lee, the Director of Finance explained the respective roles of internal audit and Audit Scotland in respect of the New Southern General Hospital Project with the latter providing external scrutiny.

Mr White summarised the key issues arising from the internal audit reports finalised since the last meeting of the Audit Committee, excluding the report on Care Governance within the Mental Health Partnership which had been considered earlier in the meeting (Minute 34 refers). The key issues included the following matters.

Child Protection – Protocols, Monitoring and Incident Reporting Mechanism – Part 2: Accident and Emergency

The report again highlighted the significant impact the Child Protection Unit has had on the establishment of comprehensive policies and procedures regarding child protection. One high risk recommendation had been made relating to the different patient administration systems currently in place being unable to communicate with each other. The Director of Finance commented that there were compensating controls in place and reminded Members of the project to procure a common Patient Administration System. In response to a question from Cllr Handibode, Mr White undertook to clarify that the procedures and protocols applied throughout the Board's area. Mr Sime noted the need to develop communication between NHS Boards while Mr Daniel commented on the issue of direct access to local authorities' "Child at Risk" registers and how lack of such access had been found to be a contributory factor to recent high profile child abuse cases elsewhere in Scotland. The Head of Board Administration reminded Members that the Nurse Director was scheduled to provide a six monthly update on child protection issues to the Board meeting in August 2009.

**Pricewaterhouse
Coopers**

Equality and Diversity (E & D)

Mr White commented on the challenges the NHS Board faced in meeting the E & D agenda and reported that the Board continued to work to meet these challenges. There was evidence that the foundations laid over several years were now resulting in tangible improvements. There were no critical or high risk recommendations and actions had been agreed with management in respect of the issues raised in the report.

Family Health Services (FHS) Payments Processes

The Practitioner Services Division (PSD) of National Services Scotland processed FHS payments on behalf of NHS Boards and Mr White described how PSD reported its activities to NHS Boards. In liaison with Audit Scotland and with input from PricewaterhouseCoopers' Data Assurance Team, internal audit had reviewed the systems and procedures in place for the financial management of FHS. One medium and one low risk recommendation had been made and action agreed with management. The Director of Finance described for Members how some elements of FHS payments were cash limited and others were not and how the NHS Board was looking to implement a

36 (Contd)

system of forecasting expenditure to assist both the NHS Board and the Scottish Government manage expenditure.

Catering Strategy Review

The NHS Board's review of catering provision flowed from the Acute Services Strategy which would impact on the number of inpatient sites and consequently, the level of catering required. The internal auditors had reviewed the options appraisal process including the preparation of costings. The review had considered the creation of options, the non-financial options appraisal process and the financial modelling of options. The findings of the review were favourable and while four medium risk recommendations were made, these were not material to the viability, projected costs or savings. Mr Hamilton commented that he was encouraged by the positive findings from the audit review.

Absence Management within the Acute Division

The audit concluded that absence management measurement, monitoring and reporting was now embedded within the performance monitoring framework of the Acute Services Division. There was a robust, timely and consistent reporting process, with each Directorate having developed additional tailored reports to best suit local circumstances. Members' attention was drawn to the absence statistics for the Board as a whole at January 2009. No recommendations were required in respect of this review.

Review of Delayed Discharge Codes excluded from ISD Reporting

This review focussed on the practices and processes around the use of complex and Adults with Incapacity (AWI) codes which are excluded from the reports on delayed discharges by Information Services Division. The findings of the review were generally favourable with two medium and one low risk recommendations made. Action had been agreed with management in respect of these recommendations.

Community Health and Care Partnerships (CHCP)

Three audit reviews had been concluded in respect of CHCP. These had been carried out jointly by PricewaterhouseCoopers and the internal auditors of Glasgow City Council under the terms of the agreement for joint working in respect of the internal audit of CHCPs.

1. Procurement

This review had focussed on the South East and South West Glasgow CHCPs. Both the NHS Board and Glasgow City Council had their own procurement procedures and the audit report recommended that both organisations should produce clear statements on which partner's procedures should be followed when purchasing goods and services. The Financial Governance and Audit Manager undertook to produce a short guide on the procurement process for NHS staff in CHCPs

**Financial Governance
& Audit Manager**

36 (Contd)

One high risk recommendation was made and this related to non compliance with the process for completion of Project Authorisation Checklists and in the case of some projects, legally binding contracts were not in place. The Financial Governance and Audit Manager explained that guidance had been drafted and would be issued shortly, on the tendering and contracting process including the use of the Project Authorisation Checklist. This would apply to all new projects and to existing contracts/agreements when they came up for renewal.

The report also commented on the need for consideration to be given to purchasing across each organisation where there was a risk that aggregation will exceed the threshold at which the EU tendering process becomes compulsory. The Director of Finance reported that the Head of Procurement was already sighted on this issue.

2. Recruitment and Selection

Both the NHS Board and Glasgow City Council have centralised recruitment functions with the CHCPs working with the centralised teams to recruit staff to posts. While areas of good practice were noted, six recommendations were contained in the internal audit report and three of these were classed as high risk. These related to the absence of authorisation forms from some files and examples of less than full compliance with the requirements of the Data Protection Act. An action plan had been agreed to address these issues and this will be followed up as part of the 2009/2010 audit programme.

3. Use of Third Party Organisations

This review examined and considered compliance with the procedures for engaging with third party organisations for the provision of services including the processes for approval, contracting and monitoring. A small number of cases were found where the NHS Board's Standing Financial Instructions had not been fully complied with. Four medium risk recommendations had been made to address these issues and an action plan agreed with management. This will be followed as part of the 2009/2010 audit programme.

Follow Up Reviews

Two follow up reviews had been carried out.

1. Corporate Performance Reporting: significant progress had been made and while three of the nine recommendations had not yet been fully implemented, work continued to progress these.
2. Business Continuity and Emergency Planning: Five of the seven recommendations had been only partially implemented. This was largely due to issues in one sector within the Acute Services Division and both the Director of Finance and the

MINUTE NOT YET APPROVED AS A CORRECT RECORD

AUDIT COMMITTEE: 9 JUNE 2009

ACTION BY

36 (Contd)

Head of Board Administration commented that they were ensuring that pressure was being brought to bear to ensure progress was being made in this area. In response to a question from Mrs Smith, Mr White undertook to confirm the current position regarding the storage of major incident plans.

**Pricewaterhouse
Coopers**

NOTED

37 **INTERNAL AUDIT ANNUAL REPORT 2008 2009**

A report of PricewaterhouseCoopers (Audit Paper No 09/19) was presented asking Members to note the internal audit annual report for the year ended 31 March 2009. Mr Revie (PricewaterhouseCoopers) explained that under NHS Internal Audit Standards, the Head of Internal Audit was required to provide a written report to the Accountable Officer to inform the organisation's annual Statement on Internal Control. The report currently being considered was provided to address this requirement and contained a summary of the internal audit work carried out during 2008/2009 and the following annual opinion:

"We have completed the programme of internal audit work for the year to 31 March 2009 and can report that our work did not identify any critical control weaknesses that we consider to be pervasive in their effects on the system of internal control. We did however identify a number of areas of higher risk in a number of specific systems and processes (Appendix A). We do not believe that any of these areas require specific disclosure on the Statement of Internal Control. It is emphasised that corrective actions to address these areas have been agreed with management and that these areas will be followed up in 2009/10."

Mr Revie drew Members' attention to the limitations inherent to the internal auditor's work which were set out in Appendix B of the annual report.

NOTED

38 **INTERNAL AUDIT: SUMMARY ANNUAL PLAN 2009/2010**

A report of PricewaterhouseCoopers (Audit Paper No 09/20) was presented asking members to approve the draft summary internal audit annual plan 2009/10. Mr White (PricewaterhouseCoopers) explained that the summary plan reflected the changes of emphasis which Members had identified at the workshop to consider the draft plan on 6 April 2009.

DECIDED:

That the Internal Audit Annual Plan 2009/10 be approved.

**Pricewaterhouse
Coopers**

39 ANNUAL FRAUD REPORT 2008/2009

A report of the Financial Governance and Audit Manager (Audit Paper No 09/21) was presented asking Members to note the Annual Fraud Report 2008/2009. The Financial Governance and Audit Manager explained that in previous years, the annual fraud report had been incorporated into the report to the Audit Committee on the annual review of the system of internal control. The opportunity had been taken for 2008/2009 to provide a separate report which would allow Members greater insight into the NHS Board's counter fraud arrangements and give more detail of the nature and level of fraud within NHS Greater Glasgow and Clyde.

With regard to the counter fraud arrangements, Members' attention was drawn in particular to

- the payment verification process for Family Health Services payments undertaken on behalf of the NHS Board by the Practitioner Services Division of National Services Scotland;
- the process for recording and tracking all investigations of irregularities and suspected frauds;
- the fraud awareness seminar for human resources staff.

In terms of the nature and level of fraud, details were given of the new cases of fraud which were discovered in 2008/2009. While no fraud was acceptable, the level of fraud in an organisation of the size of NHS Greater Glasgow and Clyde did not suggest that there were deficiencies in the counter fraud arrangements or significant weaknesses in the overall system of control.

NOTED

40 LOSSES AND COMPENSATIONS 2008/2009

A report of the Financial Governance and Audit Manager (Audit Paper No 09/22) was presented asking Members to note the details of losses incurred and compensation payments made during 2008/2009. The Director of Finance reminded Members that the Remit of Audit Committee required consideration of the losses and compensation payments in accordance with the Scottish Government Audit Committee Handbook. The increase in the total losses and special payments over the previous year was entirely accounted for by a single significant clinical compensation payment. In response to a question by Mr Lee, the Director of Finance explained the current process for reviewing the progress of compensation claims against the NHS Board, including making provision for them where appropriate, and how it was planned to develop this process further in 2009/2010.

NOTED

41 REVIEW OF SYSTEM OF INTERNAL CONTROL AND DRAFT STATEMENT ON INTERNAL CONTROL 2008/2009

A report of the Financial Governance and Audit Manager (Audit Paper No 09/23) was presented asking Members to approve the report on the Review of the System of Internal Control, approve the Statement of

41 (Contd)

Assurance by the Audit Committee to the NHS Board and approve the Statement on Internal Control for submission to the NHS Board with a recommendation that the Chief executive signs the Statement on Internal Control.

The Financial Governance and Audit Manager described how within the annual accounts was a Statement on Internal Control (SIC) which required to be signed by the Chief Executive as Accountable Officer. The purpose of the SIC was to describe the effectiveness of the NHS Board's system of internal control and if any significant aspect of the system of internal control was found to be unsatisfactory, this had to be disclosed in the SIC. The guidance issued by the Scottish Government stated that NHS Boards were responsible for reviewing the effectiveness of internal control having regard to assurances obtained from the Audit Committee and any other standing committee which covers internal control.

Appendix 1 to the paper contained a review of the NHS Board's system of internal control based upon a number of sources of evidence including assurances from each of the committees with responsibility for governance, the work of internal and external audit and review of the NHS Board's governance arrangements and control procedures against the extant guidance from the Scottish Government. This review indicated a draft conclusion that the Board's system of internal control was satisfactory with no significant weakness requiring disclosure in the SIC. Based on this draft conclusion, a draft Statement of Assurance from the Audit Committee to the NHS Board was included as Appendix 2 to the report, with a draft SIC as Appendix 3.

DECIDED:

That

1. the report on the Review of the System of Internal Control be approved;
2. the Statement of Assurance by the Audit Committee be approved for submission to the NHS Board on 23 June 2009;
3. the Statement on Internal Control be approved for submission to the NHS Board on 23 June 2009 with a recommendation that the Chief Executive signs the Statement on Internal Control.

**Financial Governance
& Audit Manager**

42 **DRAFT DIRECTORS' REPORT AND STATEMENTS OF RESPONSIBILITY AND INTERNAL CONTROL 2008/2009**

A report of Director of Finance (Audit Paper No. 09/24) was presented asking Members to note the draft Directors' Report, Statements of Responsibility and Statement on Internal Control. The Director of Finance explained that the attached Directors' Report, Statements of Responsibility and Internal Control and Statement of Accounts were in early draft form and final versions would be presented to the Audit Committee for approval at the meeting on 23 June 2009 once any changes required as a result of the audit were processed. The purpose of this paper was to allow Members to familiarise themselves with the format and content of the accounts and associated reports to facilitate the approval process at the next meeting.

MINUTE NOT YET APPROVED AS A CORRECT RECORD

AUDIT COMMITTEE: 9 JUNE 2009

ACTION BY

42 (Contd)

Replying to a question from Mr Lee, Mr Rundell (Audit Scotland) explained that it was prescribed that the Remuneration Report shows bandings rather than actual salary. Following a question from Mr Lee, the Director of Finance explained the process by which the Directors' Report would be finalised.

NOTED

43 AUDIT SUPPORT GROUPS

**43 (a) AUDIT SUPPORT GROUP- CORPORATE AND PARTNERSHIPS:
MINUTES OF MEETING ON 20 MAY 2009 [ASG CP (M) 09/03]**

NOTED

**43 (b) AUDIT SUPPORT GROUP – ACUTE: MINUTES OF MEETING ON 13
MAY 2009 [ASG A (M) 09/02]**

NOTED

44 DATE OF NEXT MEETING

The next meeting was scheduled for Tuesday 23 June 2009 at 8.30 a.m.

The meeting ended at 1.20 p.m.