

A (M) 10/02
Minutes: 12 – 19

NHS GREATER GLASGOW AND CLYDE

**Minutes of a Meeting of the
Audit Committee
held in Boardroom 2,
Dalian House, 350 St Vincent Street, Glasgow,
on Tuesday, 27 April 2010 at 9.30 a.m.**

PRESENT

Mrs E Smith (Chair)
Mr P Daniels OBE
Mr P Hamilton
Mr D Sime

IN ATTENDANCE

Mr D Griffin	Director of Finance
Mr J C Hamilton	Head of Board Administration
Mr A Lindsay	Financial Governance and Audit Manager
Mr P Ramsay	Head of Operational Financial Services (to Minute 16)
Mr D McConnell	Audit Scotland
Mr I Lochhead	Audit Scotland
Mr C Revie	PricewaterhouseCoopers
Mr M White	PricewaterhouseCoopers

ACTION BY

12 APOLOGIES

Apologies were intimated on behalf of Cllr J Handibode, Mr I Lee and Mrs J Murray.

13 MINUTES

On the motion of Mr Daniels, seconded by Mr Hamilton, the Minutes of the meeting on 4 February 2010 [A (M) 10/01] were approved as a correct record and signed by the Convener.

14 MATTERS ARISING FROM THE MINUTES

In reply to a question from Mrs Smith in respect of Minute 08, the Financial Governance and Audit Manager confirmed that the Director of Public Health would attend a future meeting of the Audit Committee to discuss the internal audit report on the Childhood Obesity Project.

Financial Governance &
Audit Manager

15

AUDIT SCOTLAND: PROGRESS REPORT APRIL 2010

A report of Audit Scotland (Audit Paper No 10/08) was presented asking Members to note the progress made in the various streams of work undertaken as part of the audit of the NHS Board's accounts for 2009/10. Mr Rundell (Audit Scotland) summarised progress against the various planned outputs including the following matters.

1. Governance**1.1 Internal Controls**

Mr Rundell noted that work had progressed well and explained the extent of Audit Scotland's reliance on the work of internal audit. A report was being drafted for management but at this point, no significant issues had emerged.

1.2 ICT Data Handling Follow Up Review

Audit evidence was being gathered to confirm progress in implementing previously agreed actions. Four of the five areas of risk had been addressed while action was on going in respect of the fifth.

1.3 ICT Service Delivery

Productive discussions had been held with management. While preparation of a report would be challenging given the volume of material gathered, no problems were anticipated in meeting the target date for reporting.

2. Financial Statements

Work was scheduled to start on 10 May 2010 and it was intended to issue the Audit Opinion on 22 June 2010. To address this demanding timetable, additional resources had been allocated to the audit and early work was being undertaken in appropriate areas, for example, bank reconciliations.

3. Performance**3.1 People Management**

A toolkit had been completed and submitted to management for comment. The toolkit would inform a national report on this subject but a local report would also be issued to management.

3.2 Effective Partnership Working

Mr Lochhead (Audit Scotland) described the approach to this work involving the use of a number of toolkits which had been agreed with management. The target for reporting on this work was the end of July 2010.

4. National Studies

Mr Rundell explained that two national studies had recently been published and reminded Members of the process whereby Audit

15	(Contd.)	<u>ACTION BY</u>
	Scotland national reports were considered by the Performance Review Group.	

4.1 Managing NHS Waiting Lists

This report considered how the NHS had applied the new arrangements known as "New Ways." A key message was that the new arrangements had been applied resulting in a fairer system for patients. A number of recommendations had been made including the need to improve systems for recording patients' additional needs.

4.2 Review of Orthopaedic Services

This report considered how effectively orthopaedic services were managed in the NHS in Scotland, how much was spent and whether this represented value for money. While waiting lists were found to have reduced there were variations across Scotland and there was a need to develop an understanding of productivity.

5. National Fraud Initiative (NFI)

A report on the national outcome of the 2008/09 exercise was due to be published in May 2010. In addition, Audit Scotland would report on the effectiveness of the Board's arrangements for dealing with the NFI and it was felt that the NHS Board had made good progress in reviewing and investigating NFI data. Members' attention was drawn to new explicit powers for data matching for Audit Scotland which were included in the Criminal Justice and Licensing (Scotland) Bill currently before the Scottish Parliament.

In response to a question from Mr Hamilton, Mr Lochhead confirmed that the review of the Effectiveness of Partnership Working included community involvement. Replying to questions by Members, Mr McConnell (Audit Scotland) explained the process by which the approach to this review had been developed. There was discussion of the merits of the varying approaches which could be adopted for this review. Members discussed the need to obtain assurance that the NHS Board's own arrangements for best value were effective in a partnership context and also the benefits of a review of best value across the organisational boundaries within partnerships.

NOTED

16 **INTERNAL AUDIT PROGRESS REPORT APRIL 2010**

A report of PricewaterhouseCoopers (Audit Paper No 10/09) was presented asking Members to note progress against the internal audit annual plan in the period to April 2010. Mr Revie explained that the approach to internal audit, as reflected in the Internal Audit Plan 2009/10, was to deliver challenge and support in terms of value protection (provision of assurance by protecting the current position) and value enhancement (adding value for the future with forward looking reviews).

16	(Contd.)	<u>ACTION BY</u>
	Mr Revie drew Members' attention to the summaries of the status of internal audit reporting and finalised reporting at 31 March 2010 as set out in pages four, five and six of the progress report and in particular, to the review of financial management with Community Health (and Care) Partnerships [CH(C)Ps]. Following discussion of the level of audit coverage required to allow assurance to be provided by internal audit as to the adequacy of internal controls in respect of CH(C)Ps, the Director of Finance noted that the NHS Board's fundamental systems of internal financial control were long established and continued to work effectively in the context of CH(C)Ps.	

Mr White then summarised the key matters from the audit reports finalised in the period to April 2010.

Replacement of Main Hospital Systems (PMS)

The internal auditors had facilitated a benefits and risks workshop and continued to provide feedback on the planning process.

Business Continuity and Emergency Planning

A review had been carried out of progress in implementing the agreed audit recommendations arising from the audit review carried out in 2008/09. The five agreed recommendations had all been partially implemented and Mr White noted that in particular, good progress was now being made in the West Sector. It was important however that the remaining outstanding issues in the West Sector were finalised. Mr White undertook to report progress to a future meeting of the Audit Committee.

Pricewaterhouse
Coopers

Corporate Planning Process

Following the introduction of the revised planning arrangements for 2010/13, internal audit had reviewed the various planning frameworks to identify and eliminate duplication and overlapping areas. This resulted in a refined list of outcomes which was then mapped to the Corporate Themes.

Reporting Arrangements on Diagnostic Testing Waiting Times

This review focused on eight key diagnostic tests, four imaging diagnostic and four scoping diagnostic tests. The NHS Board had met all the waiting time targets for 2009 in respect of these tests. Further challenges would be presented by the new 18 week referral to treatment target and by increasing demand. Examples of good practice were noted and a number of recommendations had been agreed with management to enhance process.

CHCP Risk Management Arrangements

This review had been carried out in conjunction with the internal auditors of Glasgow City Council and covered all CH(C)Ps. While the review had still to be concluded, good processes were in place for the identification and categorisation of risk and for linking risk to corporate objectives. The Director of Finance commented that as Chair of the

16 (Contd.)

ACTION BY

Risk Management Steering Group (RMSG), he had observed consistency in the reporting of risk by CH(C)Ps and that the RMSG had provided significant feedback to the CH(C)Ps. Mr Hamilton noted that risk management was a standing item on the agenda of the Governance Committee of East Renfrewshire CHCP. Mr White undertook to report the final outcome of the review to the Audit Committee.

**Pricewaterhouse
Coopers**

Performance Management and Monitoring

With their Glasgow City Council counterparts, the internal auditors hosted a workshop for the Interim Heads of Performance and Corporate Reporting of NHS Greater Glasgow and Clyde and Glasgow City Council. The objective of the workshop was to devise a list of common performance measures that could be developed and embedded by the CHCPs. The output from the workshop would be taken to the Joint Performance Group for approval and implementation. As work was still ongoing Mr White undertook to report further to the next meeting of the Audit Committee.

**Pricewaterhouse
Coopers**

Financial Controls – Payroll and Staff Expenses

The internal audit review found that the main systems of financial control appeared to be operating satisfactorily and it was noted that Financial Services was now operating with settled teams and embedded processes. There were however some areas where improvements could be made.

1. A review of the overpayments register for medical staff identified a number of occasions where medical staff had been overpaid because payroll staff had not been informed timeously that the member of staff had left their post. In reply to questions from Mr Daniels and Mrs Smith, the Head of Operational Financial Services explained some of the difficulties that could result in overpayment and described the process followed to seek recovery of amounts overpaid. The Director of Finance expressed disappointment at the audit findings and explained that he would establish a short life working group to carry out a root cause analysis of the problem and identify solutions.
2. With regard to staff expenses, Mr White reported that there remained differences in expenses policy which had transferred from the former NHS Argyll & Clyde to that of NHS Greater Glasgow. The Director of Finance explained the challenges in addressing this issue and the action being taken. Mr White described how a large sample of expense claims had been tested and a number of cases had been noted where established procedures had not been followed. The Head of Operational Financial Services explained the detailed circumstances relating to the exceptions reported and confirmed that no payment errors had resulted from these. It was agreed that these were matters of housekeeping rather than indications of a lack of internal control.

Director of Finance

16 (Contd.)

ACTION BYReport on the New South Glasgow Hospital Governance

Mr White drew Members' attention to report included as Appendix 1 to the Internal Audit Progress Report which set out the findings of an initial review by internal audit of the draft governance arrangements for the New South Glasgow Hospital. The review had focussed on four main areas:- project management, cost management, risk management and pan-Glasgow consideration including the new Patient Management System. The findings of the review were generally good and a number of recommendations had been agreed with management. In response to a question from Mr Hamilton, the Director of Finance explained the engagement with stakeholders and the process for managing change. Following a question by the Director of Finance, Mr White undertook to revisit the matter raised in action 9 in the report to ensure that the wording used in the final project documentation was unambiguous.

**Pricewaterhouse
Coopers**

Fieldwork in Progress

Mr White reported that remits had been agreed for reviews of Savings Plans and Waiting Times and that work was in progress for both.

Mr Revie explained changes made to the Internal Audit Plan 2009/10 at the request of management. The review of financial management within Community Health and Care Partnerships had been deferred to 2010/11. Four further reviews had been replaced with different assignments to reflect the changing profile of risk since the original audit plan had been agreed. The original reviews of Agenda for Change Appeals, Allied Health Professionals, Equality and Diversity and Occupational Health Services had been replaced by

- A review of payroll within the Archway Centre;
- A national pilot efficiency review in the Acute Services Division in respect of Allied Health Professionals; and
- A review of NHS Board Members' expenses.

NOTED17 **FRAUD REPORT: APRIL2010**

A report of the Financial Governance and Audit Manager (Audit Paper No 10/0) was presented asking Members to note developments in the NHS Board's counter fraud arrangements, progress of ongoing investigations of suspected fraud and a historical analysis of the outcomes of fraud investigations and the sanctions applied.

The Financial Governance and Audit Manager described the main fraud-related developments since the last meeting of the Audit Committee including:-

- A workshop for Human Resources staff jointly hosted by the NHS Board, Counter Fraud Services and the Central Legal Office;
- The sentencing of a former employee to a custodial sentence for fraud against the NHS Board.

17 (Contd.)

ACTION BY

An analysis was included of the outcomes of the 57 fraud investigations which had been concluded. In 15 of these cases, a criminal prosecution had been sought but with three cases still ongoing, nine cases had been prosecuted successfully. Only one of these cases was in respect of a financially significant fraud against the NHS Board and these statistics demonstrated that it remained very challenging to achieve a successful criminal prosecution in respect of fraud against the NHS. The analysis of outcomes also demonstrated the multiple strand response to fraud which consisted of the following potential courses of action:-

- Pursuit of a criminal prosecution;
- Pursuit of disciplinary action;
- Referral to the relevant professional body;
- Pursuit of recovery including recovery from superannuation benefits.

Mr Sime noted that an individual could forfeit the pension entitlement in the event of being convicted of fraud against the NHS. In response to a question from Mrs Smith, the Financial Governance and Audit Manager explained the failure to achieve successful criminal prosecutions was generally the result of a failure to obtain evidence to the necessary standard. This problem related in particular to alleged fraud by Family Health Services Practitioners.

NOTED

18 **AUDIT SUPPORT GROUP – CORPORATE AND PARTNERSHIPS:
MINUTES OF MEETING ON 18 JANUARY 2010 [ASG CP (M) 10/02]**

NOTED

19 **MEMBERSHIP/DATE OF NEXT MEETING**

The Convener reported that Mr Ken Winter had been appointed to the Audit Committee.

The next meeting was scheduled for Tuesday, 8 June 2010 at 9.30 a.m.

The meeting ended at 11.25 a.m.

MINUTE NOT YET APPROVED AS A CORRECT RECORD

AUDIT COMMITTEE: 8 JUNE 2010

A (M) 10/03
Minutes: 20 – 36

NHS GREATER GLASGOW AND CLYDE

**Minutes of a Meeting of the
Audit Committee
held in Boardroom 2,
Dalian House, 350 St Vincent Street, Glasgow,
on Tuesday, 8 June 2010 at 9.30 a.m.**

PRESENT

Mrs E Smith (Chair)
Mr P Daniels OBE
Mr I Lee
Mrs J Murray
Mr K Winter

IN ATTENDANCE

Mr D Griffin	Director of Finance (from Minute 21)
Mr A Lindsay	Financial Governance and Audit Manager (from Minute 21)
Mr M Gillman	Divisional Financial Governance Manager (from Minute 21)
Mr P Ramsay	Head of Operational Financial Services (from Minute 21)
Mr M Sheils	Deputy Head of Operational Financial Services (from Minute 21)
Mr D McConnell	Audit Scotland
Mr J Rundell	Audit Scotland
Mr C Revie	PricewaterhouseCoopers
Mr M White	PricewaterhouseCoopers

ACTION BY

20 PRIVATE MEETING WITH THE EXTERNAL AUDITORS AND EXTERNAL AUDITORS

As part of the normal governance arrangements and in accordance with its Remit, the Audit Committee had a private meeting with the External Auditors and Internal Auditors without officers of the Board being present, both the External Auditors and Internal Auditors having agreed with the Convener that they were content to meet jointly rather than separately with the Committee.

21 APOLOGIES

Apologies were intimated on behalf of Mr P Hamilton, Cllr J Handibode and Mr D Sime. The Convener welcomed Mr Winter who was attending his first meeting as a Member of the Audit Committee.

22**MINUTES**

On the motion of Mrs Murray, seconded by Mr Daniels, the Minutes of the meeting on 27 April 2010 [A (M) 10/02] were approved as a correct record and signed by the Convener.

ACTION BY**23****MATTERS ARISING FROM THE MINUTES**

In reply to a question from Mrs Murray, in respect of Minute 14, the Financial Governance and Audit Manager confirmed that the Director of Public Health would attend the meeting of the Audit Committee on 21 October 2010 to discuss the internal audit report on the Childhood Obesity Project. Following a question from Mr Lee, Mr White (PricewaterhouseCoopers) explained that the Director of Finance had convened the first meeting of the short life working group established to look into the issue of overpayments to medical staff who continued to be paid after leaving the NHS Board's employment.

Financial Governance & Audit Manager**24****AUDIT SCOTLAND: PROGRESS REPORT APRIL 2010**

A report of Audit Scotland (Audit Paper No 10/11) was presented asking Members to note the progress made in the various streams of work undertaken as part of the audit of the NHS Board's accounts for 2009/10. Mr Rundell (Audit Scotland) summarised progress against the various planned outputs including the following matters.

Governance Work

There were three streams of work in respect of governance.

1. Internal Controls

Testing of key controls within the main financial systems was complete and no significant matters had been identified. Reliance had been placed on the work of internal audit and in this context, particular mention was made of the internal audit review of Board members' travel expenses, acceptance of gifts and hospitality and declaration of interests. Mr Rundell thanked the internal auditors for their contribution.

2. ICT Data Handling Follow-up Review

The Director of Health Information and Technology and his team had made good progress in progressing the agreed actions from the audit report on ICT Data Handling and in developing the IT security framework.

3. Management of ICT Service Delivery

Progress of this review was good and it was anticipated that the target reporting date would be met.

Financial Statements

A draft set of accounts supported by a comprehensive package of working papers had been provided allowing work on the audit to progress well and it was anticipated that the target date for signing the accounts of 22 June 2010 would be met. Mr Rundell drew attention to the timetable on page 8 of the report and commented on the

24 (Contd.)

ACTION BY

challenges this presented, particularly in the light of the implementation of International Financial Reporting Standards. Replying to a question from Mr Lee, Mr Rundell confirmed that no significant matters had emerged from the audit and described the process for clearing audit matters via weekly meetings with management. Mr McConnell (Audit Scotland) explained how the auditors were in discussion with the Scottish Government over some matters relating to possible adjustments to the accounts but these were not significant.

Performance

Mr Rundell explained that the continuing audit of best value was focussing on two important areas.

People Management

Evidence had been provided by management in response to the Audit Scotland toolkit on which the audit was based. The assessment of the evidence was that in general the NHS Board had "better practices" in place. In reply to questions from Mrs Murray and Mr Lee, Mr Rundell and Mr McConnell explained the levels of assessment and commented that a conclusion of "better practices" should be regarded as a positive outcome. The Director of Finance also noted that this represented a satisfactory outcome given that this was the first such review in this area. Mr Rundell added that, although it was not a requirement of the process, a local report would be issued to assist management

Audit Scotland

Effective Partnership Working

Mr Rundell explained that good progress had been made on the review. The work had focused on Community Health and Care Partnerships [CH(C)Ps] outwith Glasgow with further work deferred until the way forward with the Glasgow CH(C)Ps had been decided. The work carried out to date could be used as the basis of a case study which might form part of the national report which Audit Scotland would prepare on this subject but Mr McConnell indicated that this would be discussed with management.

Audit Scotland

National Studies

Mr Rundell reported that three reports had been issued recently by the

Public Reporting Group of Audit Scotland

- Improving Public Sector Efficiency;
- Managing NHS Waiting Lists;
- Review of Orthopaedic Services.

These would all be considered by the Performance Review Group in due course following the established protocol.

NOTED

25 **INTERNAL AUDIT PROGRESS REPORT APRIL 2010**

A report of PricewaterhouseCoopers (Audit Paper No 10/12) was presented asking Members to note progress against the internal audit annual plan in the period to June 2010. Mr White (Pricewaterhouse

25	(Contd.)	<u>ACTION BY</u>
	<p>Coopers) summarised progress against the internal audit plan in terms of the reports which had been finalised and those reports which were still in the process of being finalised. The audit of Financial Management within Community Health and Care Partnerships (CHCPs) had been deferred until 2010/11 given the current position with regard to the Glasgow CHCPs. Mr White then summarised the key findings from the audit work carried out since the previous meeting of the Audit Committee.</p>	

Patient Management System (PMS)

Internal audit were performing an on-going challenge and assurance role in respect of the PMS project. Mr White outlined the significant progress made with Inverclyde Royal Hospital being selected as the pilot site within NHS Greater Glasgow and Clyde with a planned "go-live" date of May 2010. The internal auditors had

- engaged in discussion with key members of the NHS Greater Glasgow and Clyde Programme Board and participated in meetings of the PMS Programme Board;
- facilitated an initial risk workshop with the NHS Greater Glasgow and Clyde Programme Board and other stakeholders and participated in a follow up risk workshop;
- provided assurance via specialist input on the integrity of the business case and the assumptions within it.

In addition to continuing their challenge and assurance role, the internal auditors would carry out a review in 2010/11 covering programme benefits, risk management, scope definition and change control, stakeholder commitment, team resources and the programme schedule. The Director of Finance commented on the importance of the project delivering the savings targeted in the business case. Mr Lee commented on the new ways of working which would be required to achieve these savings.

Board Members' Expenses, Gifts and Hospitality

This review had been carried out at the request of Audit Scotland and the remit had been agreed jointly with Audit Scotland and the Head of Board Administration. Mr White described the scope of the work carried out which had led to the conclusion that there were robust, comprehensive and clear policies and procedures in place and that these complied with best practice. Areas of good practice had been noted including comprehensive induction and refresher training. A number of areas for improvement had also been noted including delays in submitting claims and an action plan had been agreed with the Head of Board Administration.

In response to a question from Mr Winter, Mr White confirmed that the review had covered Board Members expenses and not senior managers and staff. The Director of Finance and the Financial Governance and Audit Manager described the arrangements for registering interests for staff and senior managers, including the on-line registration system. Mr Winter raised the question of asking suppliers to provide details of any hospitality provided to NHS staff and the Director Finance referred to the procurement processes and documentation. It was agreed that a paper be presented to a future

25 (Contd.)

ACTION BY

meeting of the Audit Committee providing an overview of the processes for declaring and registering interests, gifts and hospitality for all NHS staff.

Financial Governance & Audit Manager/Head of Board Administration

The Director of Finance explained how Board Members' expense claims for the last two years would be scanned electronically and published on the NHS Board's website and referred to the strict guidelines issued by the Scottish Government on expenses. In reply to a question from Mr Lee, the Director of Finance confirmed that the online arrangements for registering interests applied to NHS staff but did not extend to general medical practitioners.

Human Resources – Information and Records Retention

Mr White described how internal audit provided a challenge and assurance role to the project to introduce increased technology and centralisation to the Human Resources record keeping arrangements. Mr White described progress made including the finalising of the Project Initiation Document. The project had been temporarily suspended to allow resources to focus on completing the Agenda for Change process and was expected to restart in July 2010.

Complaints Management

Mr White described how although the Scottish Government had still to endorse the Craigforth Report, the NHS Board was reviewing its own procedures via a short life working group to align them more closely with the recommendations within the Craigforth Report. The audit review had focused on the recording of complaints in the recently introduced DATIX system. The audit had concluded that policies and procedures were in place and were being applied effectively with adequate controls surrounding the process. A number of areas for improvement were noted including the need to apply lessons learned consistently and an action plan had been agreed with the Head of Board Administration.

Review of Community Health and Care Partnerships Risk Management Arrangements

This review had been carried jointly with the internal auditors of Glasgow City Council (GCC) to ensure that there were adequate processes to manage risk within Glasgow Community Health and Care Partnerships (CHCPs). The GCC internal auditors were leading this project and the draft report was still undergoing the GCC internal clearance process but Mr White was in a position to report the outcome to the Audit Committee. The draft report concluded that based on the audit work carried out, a reasonable level of assurance could be placed on the control environment. Several areas of best practice had been identified and recommendations made in respect of areas for improvement. Mr White undertook to report to a future meeting of the Audit Committee on the continuing work in this area.

Pricewaterhouse Coopers

25	(Contd.)	<u>ACTION BY</u>
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In conclusion, Mr White reported on progress in respect of on-going reviews relating to savings plans and waiting times.

NOTED

26 **INTERNAL AUDIT ANNUAL REPORT 2009/2010**

A report of PricewaterhouseCoopers (Audit Paper No 10/13) was presented asking Members to note the internal audit annual report for the year ended 31 March 2010. Before summarising the main points, Mr Revie (PricewaterhouseCoopers) drew Members' attention to a change from previous year's reports. During 2009/10, the Scottish Government adopted the Government Internal Audit Standards in place of the NHS Internal Audit Standards. Mr Revie confirmed that the internal audit work carried out during 2009/10 had complied with the Government Internal Audit Standards.

Based on the internal audit work carried out under the internal audit annual plan approved by the Audit Committee, the internal auditors were able to make the following assurance statement within their annual report.

"We have completed the programme of internal audit work for the year ended 31 March 2010 in accordance with the Government Internal Audit Standards 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 but we do not believe that any of these areas require specific disclosure in the Statement on Internal Control. It is emphasised that corrective actions to address all the recommendations raised in the year have been agreed with management and that these actions will be followed up in 2010/11."

Mr Revie then commented on the summary of "internal controls work conducted" which was contained within pages 4, 5, 6 and 7 of the report. The audit of payroll formed part of this work and the Director of Finance reported on the progress of the short life working group which he had established to look into the matter of overpayments to medical staff.

Mr Revie explained that the guidance issued by the Scottish Government Health Directorate on the completion of the Statement on Internal Control required that the internal auditor provide assurance to the Audit Committee that "The Accountable Officer has implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of this role." Given that the internal audit annual plan had not included any specific review of the NHS Board's governance framework, Mr Revie sought the Committee's views on the form the assurance should take in the context of the other review and assurance processes which already existed to inform the Audit Committee's consideration of the Statement on Internal Control.

MINUTE NOT YET APPROVED AS A CORRECT RECORD

AUDIT COMMITTEE: 8 JUNE 2010

26 (Contd.)

ACTION BY

Mr McConnell (Audit Scotland) referred to the specific guidance issued by the Scottish Government Health Directorates and noted that a broad view could be taken as to how the required level of assurance could be provided to the Audit Committee. After discussion, Members agreed that suitable wording based on an exception based assurance should be added to the internal auditors annual opinion in the internal audit annual report.

Pricewaterhouse
Coopers

NOTED

27 **INTERNAL AUDIT PROPOSED ANNUAL PLAN 2010/2011**

A report of PricewaterhouseCoopers (Audit Paper No 10/14) was presented asking Members to approve the proposed internal audit annual plan 2010/2011. Mr White (PricewaterhouseCoopers) described the process followed to develop the plan, including discussion with Non-executive Directors, Executive Directors and senior managers. Attention was drawn to the summary of the plan in section 3 of the report and Mr White highlighted some minor amendments which had been required in respect of public communications, information governance (compliance with the Caldicott Review), National Distribution Centre and managed clinical networks. It was agreed that if appropriate, Members would have the opportunity to review the allocation of the days currently provided for the audit of Community Health and Care Partnerships.

Pricewaterhouse
Coopers

DECIDED:

That the proposed internal audit annual plan 2010/11 be approved.

Pricewaterhouse
Coopers

28 **FRAUD REPORT 2009/2010**

A report of the Financial Governance and Audit Manager (Audit Paper No 10/15) was presented asking Members to note the arrangements for the prevention and detection of fraud together with an analysis of frauds detected during 2009/2010. The Financial Governance and Audit Manager explained that the report provided a summary of the matters included in the fraud reports which had been presented to the Audit Committee throughout 2009/10. Members' attention was drawn to the minor change in the payment verification process carried by Practitioner Services Division of National Services Scotland (NSS) on behalf of NHS Boards. NSS had been keen that this be brought to the attention of Audit Committees. Members' attention was also drawn to an incorrect reference at paragraph 2.10 to an Appendix.

Given the nature and level of fraud in 2009/10 and the counter fraud arrangements in place, it was suggested that there were no fraud related issues which required to be disclosed in the Statement on Internal Control. This was reflected in Audit Paper No 10/18 – Review of the System of Internal Control/Draft Statement on Internal Control 2009/2010 – which appeared later on the Agenda.

NOTED

ACTION BY**29 NATIONAL FRAUD INITIATIVE IN SCOTLAND: MAKING AN IMPACT**

A report of Audit Scotland (Audit Paper No 10/16) was presented asking Members to note the summary of the outcome of the National Fraud Initiative (NFI) in Scotland 2008/2009. Mr McConnell (Audit Scotland) described how seventy-four public bodies in Scotland had participated in the 2008/09 exercise. A further £21.1m of outcomes had been recorded to date in respect of the 2008/09 exercise bringing the cumulative outcomes to approximately £58m. Mr McConnell noted that most of the outcomes were in respect of local authorities but urged continued vigilance on the part of the NHS Boards. He felt that NHS Greater Glasgow and Clyde had responded well to the initiative.

For the next round of NFI (2010/11), legislation was being introduced to provide Audit Scotland with greater powers which among other things, would allow cross-border matching of data.

NOTED

30 LOSSES AND COMPENSATIONS 2009/2010

A report of the Financial Governance and Audit Manager (Audit Paper No 10/17) was presented asking Members to note the details of the losses incurred during 2009/2010. The Financial Governance and Audit Manager explained that this report summarised the losses incurred and compensations paid during 2009/10 and was intended to inform the Audit Committee's review of the system of internal control which would be considered later in the agenda (Audit Paper No 10/18 refers). The level and nature of losses and compensations did not identify any matter requiring disclosure in the Statement on Internal Control.

NOTED

31 REVIEW OF SYSTEM OF INTERNAL CONTROL/DRAFT STATEMENT ON INTERNAL CONTROL 2009/2010

A report of the Financial Governance and Audit Manager (Audit Paper No 10/18) was presented asking Members to

1. Approve the report at Appendix 1 on the review of the system of internal control within NHS Greater Glasgow and Clyde during 2009/2010;
2. Approve for submission to the NHS Board meeting on 22 June 2010 the Statement of Assurance by the Audit Committee included as Appendix 2 of the report;
3. Approve the draft Statement on Internal Control (SIC) at Appendix 3 for submission to the NHS Board on 22 June 2010 with a recommendation that it be signed the Chief Executive as Accountable Officer;
4. Approve the letter at Appendix 4 from the Chair of the Audit Committee for submission to the Scottish Government Health and Wellbeing Audit Committee.

31 (Contd.)

ACTION BY

The Financial Governance and Audit Manager outlined the process followed to allow the Audit Committee to review the NHS Board's system of internal control, this review leading to the approval of a draft Statement on Internal Control.

Evidence had been assembled from a variety of sources including the work of external audit and internal audit and this was set out in Appendix 1 of the report. In addition, statements of assurance had been provided by the Risk Management Steering Group, Clinical Governance Committee, Staff Governance Committee, Information Governance Steering Group and the Audit Support Groups (Acute and Corporate and Partnerships). These statements of assurance were included as annexes to Appendix 1. Based on the evidence and assurance statements, it was considered that there was a satisfactory system of internal control in place within NHS Greater Glasgow and Clyde and that there were no matters which required to be declared in the Statement on Internal Control.

In this light, a proposed statement of assurance by the Audit Committee had been prepared for submission to the NHS Board at the meeting on 22 June 2010. This proposed assurance statement was included as Appendix 2 of the report and concluded that there were no matters requiring disclosure in the Statement on Internal Control recommending that the Chief Executive, as Accountable Officer, be authorised to sign the Statement on Internal Control.

At Appendix 3 of the report, a draft Statement on Internal Control had been prepared based on the proposed conclusion from the review of the system of internal control. The Statement on Internal Control had been prepared to comply with the guidance issued by the Scottish Government Health Directorates and had been reviewed and agreed with the external auditors.

There was a further requirement for the Audit Committees of NHS Boards to report to the Health and Wellbeing Audit Committee any significant frauds or other matters. A draft letter had been prepared for this purpose based on the review of the system of internal control which indicated that there were no matters of significance which required to be reported to the Health and Wellbeing Audit Committee. The draft letter was included as Appendix 4 to the report.

After discussion, the Audit Committee decided:

1. That the report at Appendix 1 on the review of the system of internal control within NHS Greater Glasgow and Clyde during 2009/2010 be approved;
2. That the Statement of Assurance by the Audit Committee at Appendix 2 of the report be approved for submission to the NHS Board meeting in 22 June 2010.
3. That the draft Statement on Internal Control at Appendix 3 be approved for submission to the NHS Board on 22 June 2010 with a recommendation that it be signed by the Chief Executive as Accountable Officer;

**All actions for this
Minute to be taken by
Financial Governance
and Audit Manager**

MINUTE NOT YET APPROVED AS A CORRECT RECORD

AUDIT COMMITTEE: 8 JUNE 2010

31	(Contd.)	<u>ACTION BY</u>
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4. That the letter at Appendix 4 from the Chair of the Audit Committee be approved for submission to the Scottish Government Health and Wellbeing Audit Committee.

32 DRAFT DIRECTORS' REPORT AND STATEMENTS OF RESPONSIBILITIES AND INTERNAL CONTROL 2009/2010

A report of the Director of Finance (Audit Paper No 10/19) was presented asking Members to consider the draft Directors' Report, Statements of Responsibilities and Statement on Internal Control and, if satisfied, approve their inclusion in the Annual Accounts 2009/2010.

The Director of Finance explained that in addition to the draft Directors' Report and Statements of Responsibilities and Internal Control, a set of draft accounts had been included in the report to allow Members to familiarise themselves with the format and content of the accounts. This would facilitate consideration of the final accounts at the meeting of the Audit Committee on 22 June 2010 when Members would be asked to approve the final accounts. The draft set of accounts contained in the report was the set presented to the external auditors on 10 May 2010 at the start of the audit and therefore there would be a number of adjustments made both in terms of presentation and content.

In reply to questions from Mr Lee and Mr Winter, the Director of Finance explained specific entries within the annual accounts, including some where the implementation of International Financial Reporting Standards (IFRS) had impacted on the figures. Mr Lee commented on the difficulty a reader might have in understanding the accounts as a result of the effect of IFRS. The Director of Finance and Mr McConnell (Audit Scotland) explained that the annual accounts required to be presented in a strict format prescribed by the Scottish Government Health Directorates. Following discussion, it was agreed that some further explanatory commentary would be added to the Directors' Report and at the foot of the Operating Cost Statement within the final accounts for the year to March 2010.

Mr McConnell (Audit Scotland) explained that following legal and other developments, the Audit Opinion on the 2009/10 annual accounts would not feature a reference to Equal Pay claims.

DECIDED:

That, subject to the aforementioned amendments being included, the draft Directors' Report and Statement of Responsibilities and Internal Control 2009/10 be approved for inclusion in the Annual Accounts.

Director of Finance

**33 AUDIT SUPPORT GROUP – CORPORATE AND PARTNERSHIPS:
MINUTES OF MEETING ON 25 MAY 2010 [ASG CP (M) 10/03]**

NOTED

**34 AUDIT SUPPORT GROUP – ACUTE:
MINUTES OF MEETING ON 19 MAY 2010 [ASG CP (M) 10/01]**

NOTED

ACTION BY

35 INTERNAL AUDIT SERVICES FROM 1 APRIL 2011

A report of the Director of Finance (Audit Paper No 10/20) was presented asking Members to approve the proposed process for a competitive tendering exercise to procure internal audit services from 1 April 2011. The Financial Governance and Audit Manager described how the current contract for internal audit services would end on 31 March 2011 and that a competitive tendering exercise following European Union procurement regulations was required to secure services from 1 April 2011.

The previous tendering exercise had been undertaken jointly with the NHS National Waiting Times Centre Board (NHS NWTCB) although each body contracted separately with the successful bidder. The NHS NWTCB had indicated that they wished to participate in another joint tendering exercise.

It was proposed that a Steering Group be established to oversee the process and with authority delegated by the Audit Committee, make the decision on the outcome of the tendering exercise. The Steering Group would consist of the Chair of the Audit Committee and the Director of Finance from each organisation together with a further Member of the NHS Greater Glasgow and Clyde Audit Committee. Following a proposal by Mr Daniels, it was agreed that Mr Lee should join the Steering Group. Mr Lee drew Members' attention to the fact that he had three years previously been a partner in a company which might wish to submit a bid. Members agreed that the length of time since Mr Lee had ceased to be a partner meant his independence would not be compromised and he should therefore join the Steering Group.

The Steering Group would be supported by a Working Group consisting of

- Head of Corporate Reporting and Audit
- Deputy Director of Finance (NHS NWTCB)
- Head of Operational Financial Services
- Head of Finance
- Financial Governance and Audit Manager
- Divisional Financial Governance Manager.

DECIDED:

That the proposed process for the appointment of internal auditors from 1 April 2011 be approved.

Financial Governance & Audit Manager

36 DATE OF NEXT MEETING

The next meeting was scheduled for Tuesday, 22 June 2010 at 8.30 a.m.

The meeting ended at 12.20 p.m.