

AUDIT COMMITTEE: 25 JANUARY 2011

A (M) 11/01  
Minutes: 1 – 14

NHS GREATER GLASGOW AND CLYDE

**Minutes of a Meeting of the  
Audit Committee  
held in the Board Room,  
J B Russell House, Gartnavel Royal Hospital,  
on Tuesday, 25 January 2011 at 9.30 a.m.**

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**PRESENT**

Mrs E Smith (Chair)  
Cllr J Handibode  
Mr I Lee (to Minute 12)  
Mrs J Murray  
Mr D Sime  
Mr K Winter

**IN ATTENDANCE**

Mr R Calderwood	Chief Executive (to Minute 12)
Mr D Griffin	Director of Finance
Mr R Copland	Director of Health Information and Technology (to Minute 2)
Dr L de Caestecker	Director of Public Health (for Minute 12)
Mr G Beattie	Head of Procurement (for minute 8)
Mr A Lindsay	Financial Governance and Audit Manager
Mr C D Revie	PricewaterhouseCoopers
Mr M White	PricewaterhouseCoopers
Ms S Caldwell	PricewaterhouseCoopers
Mr D McConnell	Audit Scotland
Mr J Rundell	Audit Scotland
Mr M Rautenbach	Audit Scotland (to Minute 2)
Mr G O'Neill	Audit Scotland

ACTION BY

**01 APOLOGIES**

Apologies were intimated on behalf of Mr P Daniels OBE and Mr P Hamilton.

**02 AUDIT SCOTLAND: MANAGEMENT OF ICT SERVICE DELIVERY 2009/10**

A report of Audit Scotland (Audit Paper No 11/01) was presented asking Members to note the findings of their review of the Management

02 (Cont'd.)

ACTION BY

of ICT Service Delivery in 2009/10. Mr Rautenbach (Audit Scotland) explained that the primary objective of ICT service management was to ensure that procedures were in place to support the organisation's business processes and operational needs. The Board had consolidated its information administration function and ICT support service into the Health and Information Technology (HIT) Directorate. Mr Rautenbach commented on the rapid increase in the uptake of technology in the last three years, citing the Ambulatory Care Hospitals as prime examples of this.

The scope of the audit review included service structure, user focus, communication, resourcing and ICT service continuity. The main findings included the fact that a number of legacy systems were still being operated and maintained, contributing to a high level of demand for the service helpdesk but work continued to integrate these systems. As reliance by clinical and corporate staff on a high quality ICT service increased, a more pro-active service delivery model would be required.

Mr Winter commented favourably on the low level of complaints and asked how the service operated, in particular with regard to General Medical Practitioners (GPs). In reply, the Director of HIT described how the support help desk was outsourced via a national contract and described the historical background to the current arrangements including the pricing structure. In response to the rapidly increasing use of and reliance on technology, it had been decided to log all user requests via the service helpdesks and over the last nine months, the method of prioritising requests had been developed further to avoid backlogs in dealing with non-urgent requests. The Director of HIT then described the arrangements for providing support to GPs including payment for this support. A number of major HIT developments were underway including the Patient Management System, the Clinical Portal and two GP systems and service desk arrangements would be reviewed on completion of migration to these new systems. In response to a question from Mrs Smith, the Director of HIT explained the historical reasons for Greater Glasgow GPs relying on laptop computers for business continuity while within the Clyde area, GPs relied on PDAs (Personal Digital Assistants).

The Director of HIT described how the number of computer rooms within NHS Greater Glasgow and Clyde was reducing from over 200 to two main computer rooms. In reply to a question from Mr Lee, the Director of HIT explained the back up arrangements for the two main computer rooms. Replying to a question from Mr Lee, the Chief Executive and Director of Finance confirmed that funding would be in place to ensure completion of the GPASS replacement and the PMS project.

NOTED

03 **MINUTES**

On the motion of Mr Lee, seconded by Mr Sime, the Minutes of the meeting on 21 October 2010 [A (M) 10/05] were approved as a correct record and signed by the Convener.

**04 AUDIT SCOTLAND: PROGRESS REPORT JANUARY 2011**

A report of Audit Scotland (Audit Paper No 11/02) was presented asking Members to note progress made in the period to January 2011. Mr Rundell (Audit Scotland) summarised the key matters to arise from the various streams of audit work being carried out, including the following matters.

1. The annual audit plan had been agreed with management and was the subject of a separate report to the Audit Committee.
2. The review of the internal audit service had been completed and a letter sent to the Director of Finance to advise him of those areas where Audit Scotland intended to place reliance on the work of internal audit.
3. The Audit Scotland governance files had been updated and preliminary work was about to begin in preparation for the audit of the 2010/11 Statement of Accounts.
4. The Cabinet Secretary for Health and Wellbeing had requested each NHS Board to conduct a detailed review of all staff who earned over £100,000 per annum in the four years from 2006/07 to 2010/11 to ensure compliance with national policies and guidance. External auditors had been asked to review a representative sample to provide specific assurance that each Board is fully compliant with the national policies and guidance. In response to a question from Mrs Smith regarding sample size, Mr McConnell (Audit Scotland) explained that Audit Scotland was preparing a guidance note which would shortly be issued to external auditors to advise them on how they should carry out this work. Mr McConnell noted that there was however a lack of clarity about what exactly was required of NHS Boards and commented on the number of employees covered by this exercise. The Director of Finance confirmed that the Head of Operational Financial Services had been focussing on this task and was preparing a detailed work plan to ensure that it was completed within the set timescale. The Chief Executive then described the various sources of evidence available to support the salaries paid and noted that the final year in the period, 2010/11, presented a particular challenge in terms of capturing any relevant changes which occurred late in the year. Replying to a question from Mr Lee, the Director of Finance confirmed that the Board would be required to fund Audit Scotland for any additional work resulting from this particular requirement.
5. The timetable for the audit of the financial statements had been agreed with management and was set out in Table 1 of the Progress Report. This would see a set of detailed working papers being provided by management to Audit Scotland on 9 May 2011 with the process concluding with the signing of the accounts on 28 June 2011.

04 (Contd.)

ACTION BY

6. Two reports had been issued by Audit Scotland's Performance Audit Group:-
  - Financial Overview of the NHS in Scotland 2009/10;
  - Improving Energy Efficiency – a follow up report.
7. The analysis of data for the latest round of the National Fraud Initiative was complete with the resultant matches being issued to bodies very shortly. A number of bodies were participating in the initiative for the first time including central government departments.

NOTED

**05 AUDIT SCOTLAND: PRIORITIES AND RISKS FRAMEWORK**

A report of Audit Scotland (Audit Paper No.11/03) was presented asking Members to note the Priorities and Risks Framework (the Framework) produced by Audit Scotland to provide a common framework for the delivery of high quality audit across the NHS in Scotland. Mr McConnell (Audit Scotland) explained that the Framework identified key generic risks and assisted external auditors to plan their work in a consistent manner across the NHS in Scotland. The major change from previous years was the significance now attached to financial risk. Mr Lee commented that the Framework was very helpful to Members.

NOTED

**06 AUDIT SCOTLAND: ANNUAL AUDIT PLAN 2010/11**

A report of Audit Scotland (Audit Paper No 11/04) was presented asking Members to note the Annual Audit Plan for 2010/11. Mr McConnell (Audit Scotland) described how analysis of the Priorities and Risks Framework (Minute 05 refers) had led to the annual audit plan for 2010/11 which had been discussed and agreed with management. Members' attention was drawn to the planned outputs set out on page 14 of the annual audit plan and to the fee which was detailed on page 15. Mr McConnell explained the reduction in the audit fee from the previous year. Replying to a question from Mr Lee, Mr McConnell confirmed that the extent of the work to be carried out would not be significantly reduced. Some reduction was possible due to the time spent in 2009/10 on International Financial Reporting Standards which would not be required in 2010/11.

Mr O'Neill (Audit Scotland) summarised the approach to the audit of ICT programme management and Mr McConnell described the follow-up work to be undertaken in respect of the national review of the use of consultancy services. Mr McConnell drew Members' attention to Appendix A to the Annual Audit Plan which set out the key risk areas and the sources of assurance which would inform the audit in respect of these areas.

NOTED

**07 INTERNAL AUDIT ACTIVITY REPORT JANUARY 2011**

A report of PricewaterhouseCoopers (Audit Committee Paper No 11/05) was presented asking Members to note the progress made in respect of the internal audit annual plan for 2010/11. Mr Revie (PricewaterhouseCoopers) summarised overall progress against the internal audit annual plan for 2010/11. All audit reviews would be completed by 31 March 2011 with some final reports being reported to the Audit Committee meeting on 7 June 2011. In particular, all value protection work had been concluded to allow Audit Scotland to place reliance on it for the purposes of the audit of the annual accounts. Value enhancement work was mostly completed with the review of clinical coding still on-going. Mr Revie summarised progress in respect of the review and challenge roles being undertaken by internal audit. In reply to a question from Mrs Smith, Mr Revie confirmed that responses by management had improved but noted that challenges could remain where it was not obvious where responsibility lay for taking the required action. The Director of Finance commented on the improved understanding of the role of internal audit throughout the organisation and the improved input to the internal audit planning process.

Mr White (PricewaterhouseCoopers) described the main points to emerge from the review of the procurement function. This review had focussed on the performance monitoring arrangements within the Procurement Department and the performance monitoring and management of usage of the National Distribution Centre (NDC). Areas of good practice had been noted including the suite of performance monitoring reports which had been developed and the detailed savings plan which had been established within the Department. Two low risk recommendations had been agreed with management. Mr White then commented on the development of the NDC and the challenges faced in increasing the use of the NDC while ensuring that performance was effectively monitored and efficiencies achieved.

The Head of Procurement explained in further detail the development of the NDC and how it, in effect, created a national store for NHS Scotland. He described the process by which it had been determined which items had been selected to be held in stock within the NDC and explained the background to the service charges which were paid by all users of the NDC. The Chief Executive and Director of Finance explained further the key issues in the business case which had been produced for the NDC and commented on the challenges in developing the NDC further and increasing the levels of usage by NHS Boards. Mr Winter commented that while NHS Greater Glasgow and Clyde had engaged with, and committed to, the development of the NDC, further work would be required to deliver fully the anticipated benefits to the Board. The Director of Finance noted that the internal audit report was positive in respect of the NHS Board's Procurement Department and NHS Greater Glasgow and Clyde was well positioned in terms of procurement.

Mr White summarised the key points in respect of the review and challenge role carried out by internal audit in respect of the new Patient Management System, the new South Glasgow Hospitals, Human Resources record retention and risk management arrangements. With regard to risk management, the process in place for risk management

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ACTION BY

within East Renfrewshire Community Health and Care Partnership had been reviewed. The process was satisfactory with clear ownership of the risk process and two recommendations to improve matters further had been agreed with management.

Mr White described the work undertaken in respect of compliance with International Accounting Standard 16 (IAS 16) – Asset Lives. As part of the transition to International Financial Reporting Standards, internal audit, together with management, had reviewed the Board's depreciation policy for its buildings and the basis for calculating their useful lives. Four alternative methodologies were identified, assessed for compliance with IAS 16 and tested against a practical model. One methodology emerged as the most appropriate and following consultation with the NHS Technical Accounting Group and Audit Scotland, it was intended that this methodology be applied throughout the NHS in Scotland. Mr McConnell (Audit Scotland) confirmed that the proposed methodology had been accepted in principle by Audit Scotland. The Director of Finance described how the proposed methodology provided a more sensible profile of depreciation.

Mr White outlined the results of a follow up review of Business Continuity and Emergency Planning. Previous audits in this area had identified a number of issues in the West Sector. In August 2008, it had been found that five of the original recommendations had still to be fully implemented. As at November 2010, three of these recommendations had been fully implemented with action on-going in respect of the remaining two. A further follow up was planned later in 2010/11.

**Pricewaterhouse  
Coopers**

Mr White summarised the main points to emerge from the internal audit review of Scottish Medical Training (SMT) - the process for recruiting junior doctors in Scotland. This process was complex and involved a number of stakeholders including NHS Boards. The internal audit review had assessed the processes in place to forecast and manage the Board's resource requirements for junior doctors and to consider the Board's ability to influence the supply of junior doctors. The latter element included an assessment of the effectiveness of communication between the Board and NHS Education for Scotland (NES). The review concluded that the SMT process was generally working as expected although a few areas offered scope for improvement. An action plan to address these areas had been agreed with management. In reply to a question from Mr Winter, the Chief Executive described the planning cycle and processes to identify Boards' needs and to allocate resources accordingly and how this would deal with changing future demands.

Mr White reported on the key matters arising from an internal audit review of the productivity Allied Health Professionals (AHPs) which had carried out at management's request. The first part of the audit review focussed on the identification and assessment of controls over the processes for recording AHP activity and productivity, selecting Stroke Services and Speech and Language Therapy as examples. A number of observations had been made on a number of matters including the consistency of recording AHP time across NHS Greater Glasgow and Clyde. A detailed action plan had been agreed with management and the second part of the audit review was underway, including profiling the Board's data against national benchmarks.

07 (Contd)

ACTION BY

Ms Caldwell (PricewaterhouseCoopers) summarised the main points to emerge from the audit of the following seven main financial processes carried out as part of the 2010/2011 audit programme:- creditors, capital accounting, staff expenses, treasury (bank reconciliations), payroll, Family Health Services expenditure and endowments. A number of key areas were noted where compliance with controls had improved since the previous audit in 2009/10, including the continuing work to identify slow moving endowment funds and communication of additions to fixed assets. A number of areas were identified where full compliance with expected procedures had not always been achieved and an action plan had been agreed with management to address these areas. Ms Caldwell drew attention to the recent frauds in the public sector involving fraudulent changes to suppliers' masterfile data, particularly bank account details, and described the NHS Board's response to this threat. Mr Lee expressed disappointment at the overall grading of the audit findings as "B" and the Director of Finance, by way of explanation, highlighted that some controls may not have been in place for the entire financial year and referred to the work carried out with support from internal audit to improve controls in certain areas including controls aimed at protecting against the risk of fraudulent attempts to change suppliers masterfile details. Replying to a question from Mr Lee, Ms Caldwell and Mr Revie confirmed that this was the main reason that the findings had attracted a "B" grading.

NOTED

08 **DRAFT CORPORATE RISK REGISTER**

A report of the Director of Finance (Audit Paper No 11/06) was presented asking Members to consider and comment on the draft updated Corporate Risk Register.

The Director of Finance described how the draft Corporate Risk Register (CRR) had been reviewed in detail by the Risk Management Steering Group and would also be presented to the Corporate Management Team (CMT) in February 2011. After consideration by the CMT, the CRR would be presented in its final form to the meeting of the Audit Committee on 29 March 2011. In the meantime, the draft version of the CRR was presented to Members for consideration and comment. Included in the most significant additions to the CRR were the risk of delays in transferring services from Stobhill to Glasgow Royal Infirmary, anticipated capital funding pressures and the integration of workforce and financial planning. One of the deletions from the previous year's CRR had resulted from the dissolution of the five Community Health and Care Partnerships within the Glasgow City local authority area. In response to a question from Mr Lee, the Chief Executive explained the risk assessment in respect of the New South Glasgow Hospital.

**Director of Finance**

NOTED

09 **CHANGE TO AGENDA**

To facilitate the attendance of the Director of Public Health, it was agreed to advance Item 11 – Internal Audit Report: Childhood Obesity Intervention Pilot.

**10 INTERNAL AUDIT REPORT: CHILDHOOD OBESITY INTERVENTION PILOT**

A paper of PricewaterhouseCoopers (Audit Committee Paper No 11/08) was presented asking Members to note the contents of the report on the internal audit review of the Childhood Obesity Intervention Pilot.

The Director of Public Health described the background to the Pilot, otherwise known as Active Children Eating Smart (ACES). ACES was a unique healthy weight intervention programme being implemented with a number of other partners and was aimed at children aged between 5 and 15 who are clinically defined as significantly overweight or obese. The intervention was family focused, led by trained coaches and delivered in group settings outwith school hours.

ACES had been developed to address the Health, Efficiency, Access and Treatment (HEAT) targets which set the NHS Board a target for child healthy weight interventions for 2010/11. The Pilot required to be established quickly but took time to develop and achieve sufficient uptake. The Director of Public Health went on to summarise progress to date and described the challenges in achieving the HEAT target. In response to questions from Mrs Murray, the Director of Public Health described the respective merits of the current approach and a schools-based approach, the difficulties in launching the Pilot in a short space of time and the timetable for achieving the HEAT targets.

NOTED

**11 FRAUD REPORT JANUARY 2011**

A report of the Financial Governance and Audit Manager (Audit Paper No 11/07) was presented asking Members to note developments in the Board's counter fraud arrangements and the summary of progress of current investigations into cases of fraud. The Financial Governance and Audit Manager highlighted that a number of investigations into fraud against NHS Greater Glasgow and Clyde had resulted in criminal prosecutions. Once sentencing had been concluded in these cases, the opportunity would be taken to publicise these outcomes to raise awareness of fraud among staff. Members noted the report by NHS Scotland Counter Fraud Services for the quarter to September 2010 which was included as an appendix to the fraud report and commented on the levels of fraud throughout NHS Scotland as set out in the bar charts on pages 4 and 5.

NOTED

**12 AUDIT SUPPORT GROUP – CORPORATE AND PARTNERSHIPS: MINUTES OF MEETING ON 14 JANUARY 2011 [ASG CP (M) 11/01]**

NOTED

AUDIT COMMITTEE: 25 JANUARY 2011

ACTION BY

- 13 **AUDIT SUPPORT GROUP – ACUTE: MINUTES OF MEETING ON  
15 DECEMBER 2010 [ASG A (M) 10/03]**

NOTED

- 14 **DATE OF NEXT MEETING**

The next meeting was scheduled for Tuesday, 29 March 2011 at 9.30  
a.m.

The meeting ended at 12.40 p.m.