

A (M) 11/02
Minutes: 15 – 25

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, 29 March 2011 at 9.30 a.m.**

PRESENT

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

IN ATTENDANCE

Mr D Griffin	Director of Finance
Mr A Lindsay	Financial Governance and Audit Manager
Mr C D Revie	PricewaterhouseCoopers (from Minute 18)
Mr M White	PricewaterhouseCoopers (from Minute 18)
Mr J Rundell	Audit Scotland
Mr B Gillespie	Audit Scotland

ACTION BY

15 APOLOGIES

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

16 MINUTES

On the motion of Mr Sime, seconded by Mr Lee, the Minutes of the meeting on 25 January 2011 [A (M) 11/01] were approved as a correct record and signed by the Convener.

17 CONTRACT FOR INTERNAL AUDIT SERVICES

The Director of Finance advised Members of the outcome of the competitive tendering process to procure internal audit services for the two year period from 1 April 2011. PricewaterhouseCoopers had been

appointed and all three competing firms had been notified of this outcome. Mrs Smith, Mr Lee and the Director of Finance who had all participated in the evaluation of the bids, described the respective merits and qualities of each of the competing firms. In reply to a question by Mr Sime, the Director of Finance explained that the contract term had been reduced to two years to co-incide with the proposed project by the West of Scotland Regional Planning Group to establish a West of Scotland internal audit service. The contract with PricewaterhouseCoopers contained provision for annual extensions for a maximum of three years in case there were delays in establishing the West of Scotland service. Replying to a question from Mr Winter, the Director of Finance explained the savings which would be achieved under the new contract and described the nature of the proposed internal audit strategic and annual plans which would be presented to a subsequent meeting of the Audit Committee for approval.

**Pricewaterhouse
Coopers**

18 AUDIT SCOTLAND: PROGRESS REPORT MARCH 2011

A report of Audit Scotland (Audit Paper No 11/09) was presented asking Members to note progress made in the period to March 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. Progress against the annual audit plan was on target and summarised at Appendix 1.
2. Work on the testing of internal controls was nearly complete. Management had been informed of matters arising on an on-going basis. No matters of significance had been identified so far.
3. The scope of the review of ICT Project Management had been agreed with management. The review would focus on the Strathclyde Electronic Renal Patient Record and the Chemotherapy Electronic Prescribing and Administration System.
4. The Cabinet Secretary for Health and Wellbeing had asked NHS Boards for assurance that payments made to staff earning over £100,000 per annum complied with relevant policies and guidance. Audit Scotland had completed their sample checking of earnings over £100,000 and had issued their draft findings to the Director of Finance. These findings would provide the NHS Board Chairman with the assurance he required to allow him to respond to the Cabinet Secretary's request by the deadline of 31 March 2011. In reply to a question from Mr Lee, Mr Rundell explained the while there had been some cases where documentation had not been retained, these were the result of legacy issues from the former NHS Argyll and Clyde and there was no indication that the NHS Board was not compliant. Responding to a question from Cllr Handibode, Mr Rundell explained how the new Human Resources records management system would help address the question of retention of records.

18 (Contd.)

ACTION BY

The Director of Finance described the scale of the task of reviewing all payments over £100,000 and explained that on the basis of the Audit Scotland letter, the NHS Board Chairman would write to the Cabinet Secretary to confirm that the NHS Board was in compliance with relevant policies and guidance in respect of salary payments over £100,000. In response to a question from Mr Lee, the Director of Finance undertook to circulate to Members the letter from Audit Scotland.

**Financial Governance
& Audit Manager**

5. The audit of the financial statements would commence on 9 May 2011 with the process concluding with the signing of the accounts on 28 June 2011.
6. Three local performance audits were planned:-
 - ICT information management;
 - Improving Public Sector Purchasing;
 - Use of Consultancy Services.
7. Two reports had been issued by Audit Scotland's Performance Audit Group:-
 - The Cost of Public Sector Pensions in Scotland;
 - Management of the Scottish Government's Investment Programme.
8. The analysis of data for the latest round of the National Fraud Initiative had been reported to participating bodies. Work was progressing within NHS Greater Glasgow and Clyde to follow up these matches.

NOTED

19 **INTERNAL AUDIT ACTIVITY REPORT JANUARY 2011**

A report of PricewaterhouseCoopers (Audit Committee Paper No 11/10) 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) then summarised the key findings from each of the audit reviews concluded since the last meeting of the

19

(Cont'd)

ACTION BY

Audit Committee.

Replacement of the Patient Management System (PMS)

Mr White reminded Members of the background of PMS as a national project, with NHS Greater Glasgow and Clyde being part of a consortium of five NHS Boards which defined the requirements for the new system. The planned timetable was to have PMS implemented across all acute sites in NHS Greater Glasgow and Clyde by the end of 2012, beginning with Inverclyde Royal Hospital in mid-2011. As part of internal audit's role, a review was undertaken of the governance arrangements for the project within NHS Greater Glasgow and Clyde and Mr White described the governance arrangements including the Working Groups set up to ensure that risks and issues were identified at functional levels and to ensure the system appropriately met the needs of users. The audit review had concluded that the Working Groups had been appropriately set up and provided an effective platform for making informed comment and recommendations. Four recommendations had been agreed with management to improve upon the existing governance framework. In reply to a question by Mr Winter, Mr White confirmed that management, especially in the sites scheduled for early implementation, was focussed on the project. Mr Lee and Mr Winter commented on the challenge in training the required number of people, particularly in the larger sites, and Mr White noted that the management response to the audit recommendations had recognised the need to recruit further trainers. Mr White also commented on visits made to NHS Borders where PMS had already been implemented, to learn any relevant lessons. Mr Lee noted the comment within the Progress Report which highlighted that the training timetables were tight. In response, Mr White explained that progress had been made in the last six months. The Director of Finance commented that the audit report was positive and gave good insight into the current position whereby progress to date had been good and while implementation of PMS within Glasgow remained challenging, management were focussed on the task and had invited internal audit's involvement and feedback. Mr White undertook to give a further verbal update to the meeting of the Audit Committee on 7 June 2010 and it was agreed that the Director of Regional Services be invited to attend a subsequent meeting of the Audit Committee to report on progress.

Pricewaterhouse/
CoopersFinancial Governance &
Audit ManagerEquality & Diversity

A follow up review had been completed in respect of the internal audit reviews of Equality and Diversity carried out in 2008/09 and 2009/10. Of the five recommendations made, four had been fully implemented. The fifth recommendation, while partially implemented, was almost 70% complete.

Community Reviews

A review had been carried out to assess the controls in place, including Community Health (and Care) Partnerships, over the allocation of grant monies. Mr White reported that there was now a higher degree of involvement by the Procurement Department than had previously been the case. While this had resulted in improvements, there was still some inconsistency of practice and a number of recommendations had

19 (Cont'd)

ACTION BY

been made to address this, including the maintenance of contract registers. An action plan had been agreed with management. Mr Winter commented on the need for procurement to be involved wherever possible and the Director of Finance described the work done in recent years to improve the processes surrounding the allocation and monitoring of funds to voluntary organisations.

Post Project Evaluation (PPE)

Internal audit had reviewed the process in place for PPE in respect of the new Ambulatory Care Hospitals. A number of areas of good practice had been identified including the creation of a benefits realisation plan. A number of recommendations had been made however to contribute to the ongoing improvement of the PPE process including the dissemination of results to ensure lessons learned were shared effectively.

Property Asset Management System (PAMS)

Mr White explained that PAMS was a national system and the Scottish Government had set a deadline of 31 March 2011 for NHS Boards to update PAMS with the first phase of information on Boards' property portfolios. Internal audit had supported management in developing processes and controls around PAMS. The task of meeting the deadline was a challenging one and a number of recommendations had been made and agreed by management to enhance the project management arrangements. The Director of Finance commented further on the scale of the task given the number and scale of the NHS Board's properties.

NOTED

20 **ANNUAL REVIEW OF CORPORATE GOVERNANCE
(INCORPORATING REVIEW OF STANDING COMMITTEES)**

A report of the Head of Board Administration (Audit Paper No 11/11) was presented asking Members to consider and comment on the proposals contained within a draft paper to be presented to the NHS Board at its meeting on 19 April 2011. The Director of Finance explained that the draft paper for submission to the NHS Board set out the proposed changes to the NHS Board's corporate governance arrangements.

The most significant of these changes related to the Committee structure and reflected comments made when the matter was considered at two previous NHS Board seminars. There would be a further opportunity to discuss the proposed changes at the NHS Board Seminar on 3 April 2011 before a final proposal was taken to the NHS Board meeting on 19 April 2011. The Director of Finance and the Head of Board Administration had met with Audit Scotland to explain the proposals and seek comment. The comments by Audit Scotland did not indicate any, significant areas of concern in respect of the proposed changes.

No changes were proposed to Standing Orders for the Proceedings and Business of the NHS Board, Decisions Reserved for the NHS Board, Fraud Policy, Risk Management Strategy and Standards of Business Conduct. A number of minor amendments were proposed to

20 (cont'd)

ACTION BY

Standing Financial Instructions.

The key proposed changes to the Committee structure were set out in Section C of the draft paper and included the following matters.

1. A single new governance committee was proposed replacing the Performance Review Group, the Health and Clinical Governance Committee and the Involving People Committee. The name of this new Committee had still to be determined and Councillor Handibode and Mr Rundell (Audit Scotland) offered suggestions.
2. The Staff Governance Committee would be retained but would become a sub-committee of the new Single Governance Committee.
3. The functions of the Research Ethics Governance Committee and the Spiritual Care Committee would be incorporated into the new Single Governance Committee. These governance roles would be discharged by the submission of annual reports to the Single Governance Committee covering the responsibilities, activities and monitoring arrangements of both.
4. The Mental Health Partnership Committee would be absorbed into the strengthened performance management arrangements of the Community Health and Care Partnerships and Community Health Partnership Committees.
5. An "Approvals Committee" was also proposed with authority delegated from the NHS Board to consider business matters requiring approval in accordance with Standing Financial Instructions. This Committee would meet as required.
6. The Audit Committee would continue in its current independent role providing assurance to the NHS Board on the overall governance structure and internal control environment.

Members discussed the proposals and a number of questions were raised including the following matters.

1. The question of who should chair the Single Governance Committee was raised. It was agreed that this would require careful consideration under the current appointments process.
2. Further clarity was required on the interaction between the Single Governance Committee and the Staff Governance Committee, including synchronisation of the timing of meetings.
3. Clarification was also required in respect of the role of the proposed Approvals Committee, including membership and the appointment of chair. After discussions, it was suggested that the business decisions which it was proposed that the Approvals Committee make could equally be taken by the Single Governance Committee, for example by convening

20 (Cont'd)

ACTION BY

additional meetings of the Single Governance Committee. Mr Rundell (Audit Scotland) commented on the proposals noting that there was a need for further clarification of the decision making process and delegated authority of the Single Governance Committee. The management of the agenda required careful consideration, with written reports being presented rather than verbal updates to allow for efficient consideration of business items. There was also a need to ensure a focus on information governance. Finally, Audit Scotland were pleased note that it was proposed to retain the Audit Committee in its present form.

The Director of Finance reminded Members that they would have further opportunity to discuss the proposed changes at the Board Seminar on 3 April 2011.

DECIDED:

That the proposed changes to the Standing Committee arrangements be discussed further at the NHS Board Seminar on 3 April 2011.

21 **CORPORATE RISK REGISTER**

A report of the Director of Finance (Audit Paper No. 11/12()) was presented asking Members to consider and approve the updated Corporate Risk Register (CRR) for 2011/12. The Director of Finance described how the draft CRR had been reviewed in detail by the Risk Management Steering Group, considered in draft form by the Audit Committee in January 2011 and considered by the Corporate Management Team (CMT) in February 2011. After consideration by the CMT, the CRR was now presented in its final form to the Audit Committee for final consideration and approval. In reply to questions from Mr Winter, the Director of Finance commented on the assessment of the risk associated with a reduction in capital funding and on the risk relating to the provision of the new South Glasgow Hospital within available funds and agreed timescales.

DECIDED:

That the Corporate Risk Register for 2011/12 be approved.

Director of Finance

22 **FRAUD REPORT MARCH 2011**

A report of the Financial Governance and Audit Manager (Audit Paper No 11/13) 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 drew Members' attention to the sentences imposed by the courts on a number of former employees who had been found guilty of fraud against NHS Greater Glasgow and Clyde.

NOTED

23 **AUDIT SUPPORT GROUP – CORPORATE AND PARTNERSHIPS:
MINUTES OF MEETING ON 11 MARCH 2011 [ASG CP (M) 11/02]**

NOTED

ACTION BY

- 24** **AUDIT SUPPORT GROUP – ACUTE: MINUTES OF MEETING ON 2 MARCH 2011 [ASG A (M) 11/01]**

NOTED

- 25** **DATE OF NEXT MEETING**

The next meeting was scheduled for Thursday, 12 May 2011 at 9.30 a.m.

The meeting ended at 12.05 p.m.

A (M) 11/03
Minutes: 26 – 30

NHS GREATER GLASGOW AND CLYDE

**Minutes of a Meeting of the
Audit Committee
held in Meeting Room B,
J B Russell House, Gartnavel Royal Hospital,
on Thursday, 12 May 2011 at 9.30 a.m.**

PRESENT

Mrs E Smith (Chair)
Mr P Daniels OBE
Cllr J Handibode (Minute 29)
Mr I Lee
Mrs J Murray
Mr D Sime
Mr K Winter

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 C D Revie	PricewaterhouseCoopers
Mr M White	PricewaterhouseCoopers
Ms L Marszol	PricewaterhouseCoopers
Mr I Lochhead	Audit Scotland

ACTION BY

26 APOLOGY

An apology was intimated on behalf of Dr M Kapasi, MBE.

27 MINUTES

On the motion of Mr Winter, seconded by Mr Sime, the Minutes of the meeting on 29 March 2011 [A (M) 11/02] were approved as a correct record and signed by the Convener.

28 MATTERS ARISING FROM THE MINUTES

In reply to a question from the Director of Finance in respect of Minute 19, the Financial Governance and Audit Manager confirmed that the Director of Regional Services would attend a future meeting of the Audit Committee to report on progress of the Patient Management System.

**Financial Governance
& Audit manager**

29 INTERNAL AUDIT ACTIVITY REPORT JANUARY 2011

A report of PricewaterhouseCoopers (Audit Paper No 11/14) was presented asking Members to note the progress made against the internal audit annual plan for 2010/11. Mr Revie (PricewaterhouseCoopers) introduced Ms Marszol (PricewaterhouseCoopers) who would play a key role in delivering the internal audit service under the recently awarded contract. The Convener welcomed Ms Marszol.

Mr Revie summarised the overall position in terms of completed reports and work in progress. Thirty assignments had been reported to the Audit Committee, including seven to this meeting. Two audit reports had been issued in draft form to management and would be reported to the meeting of the Audit Committee on 7 June 2011 while two other audits would be on-going into 2011/12.

Mr White (PricewaterhouseCoopers) explained how, as part of a rolling programme within Community Health (and Care) Partnerships [CH(C)Ps], reviews of the process for risk management in place at Renfrewshire CHP and Inverclyde CHCP had been completed. The key elements of the arrangements in place were described including the mechanisms and programme of meetings by which risks were monitored. The reviews had concluded that at both locations, there were arrangements in place to ensure that risks were being monitored on a consistent and regular basis. The Director of Finance commented that as Chair of the Risk Management Steering Group, he took assurance from the quality of the local risk registers evidenced by submissions to the Group and explained that the internal auditors would continue to review risk management arrangements in CH(C)Ps on a rotational basis.

Mr White then reported the findings from the latest follow up review of Business Continuity and Emergency Planning in the West Sector. Previous follow up reviews had found that two recommendations from the original internal audit report had not been fully implemented. The latest review had found that further progress had been made in respect of the two outstanding actions but they remained only partially complete. Mr White noted that a new head of the Civil Contingencies Planning Unit (the Unit) was being recruited and it would be their responsibility to progress the outstanding items. In response to comments by Mr Winter and Mr Lee on the management structure within the Unit, the Head of Board Administration described the distinction between the responsibilities in respect of the planning element of business continuity and emergency planning and those for the operational aspects and drew Members attention to the overall progress made in this area. The Director of Finance and the Head of Board Administration undertook to discuss progress on the outstanding matters with the Director of Public Health. Members were keen to receive assurance that responsibilities in this area were adequately covered during periods of absence of key officers. Members agreed that the internal auditors should carry out a full review of business continuity and emergency planning during 2012/13.

**Director of Finance &
Head of Board
Administration**

**Pricewaterhouse/
Coopers**

Mr White outlined the results of the internal audit review of Benefits Realisation from the Pharmacy Modernisation Project. The Board's Pharmacy and Prescribing Support Unit (PPSU) had undergone

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(Cont'd)

ACTION BY

significant re-design in response to a number of major developments, particularly the Acute Services Review and the Making the Most of Your Medicines (MMyM) programme. A key element of the response to these challenges was the establishment of a centralised Pharmacy Distribution Centre (PDC) to provide a single point for the procurement and distribution of medicines to wards and hospital dispensaries, thereby largely reducing the need for hospital based stocks and local distribution centres. The internal audit review focussed on assessing the processes for measuring and reporting on benefits realisation of the Acute Pharmacy Re-design Project (the Project) and the evidence in place to demonstrate these benefits.

The main findings of the review included the following matters:-

1. Mechanisms were in place to report progress including the MMyM Steering Group and Implementation Group.
2. The project was on track to deliver targeted savings in 2010/11.
3. The MMyM programme aimed to achieve a number of benefits – both tangible and intangible – including the release of floor space, pharmacy stock waste reduction, patient safety improvements and stock rationalisation.

In general, the benefits measured and reported were found to be evidence based and consistent with the high level objectives of the Project. Three recommendations had been made to enhance and develop processes further and a detailed action plan had been agreed with management.

Responding to a question from Mr Winter, Mr White explained how early advice had been sought by management on the matters of security and contingency planning in respect of the PDC. Mr Revie undertook to provide a verbal update to the next meeting of the Audit Committee on the nature of the contingency arrangements for the PDC. Members agreed that the Head of Pharmacy and Prescribing Support Unit should attend a future meeting of the Audit Committee to provide an update on progress of the Project. The Head of Board Administration reminded Members that a visit to the PDC was being scheduled for Board Members later in the year.

**Pricewaterhouse/Coopers
Financial Governance
& Audit Manager**

In reply to a question from Mr Daniels, Mr White described how savings were being measured against the targets set out in the business case for the Project and explained that work was on-going in respect of identifying and measuring the intangible benefits. The Director of Finance compared the introduction of the PDC with that of the National Distribution Centre for general supplies where local stock holdings reduced as users gained confidence in the new system. In answer to a question from Mr Sime, the Director of Finance commented on the savings achievable through the introduction of robotics and there was discussion of the potential this offered to redeploy pharmacy staff to more directly patient focussed roles. Replying to a question from Mr Lee on stock levels, the Director of Finance commented on the range of drugs held at the PDC as opposed to locally within hospitals.

Mr White then reported the summarised results of an internal audit review of Compliance with Clinical Standards. The NHS Scotland

Quality Strategy (the Strategy) was launched in May 2010 and was supported by three Quality Ambitions – person centred, safe and effective. NHS Greater Glasgow and Clyde was currently developing its clinical performance management arrangements in light of the Strategy. The purpose of the internal audit review was to provide support to management in assessing the service level clinical indicator activity to consider how this could be used in future arrangements for performance management and clinical governance. A variety of departments had been included in the review. In addition to HEAT targets, a number of quality and performance improvement procedures were being developed and implemented at local level and a number of areas of good practice were noted, including robust systems being in place for all National Programmes within each medical area. Several areas were identified which could assist with the on-going development of processes including the involvement of multi – disciplines covering the whole patient pathway and the sharing of knowledge and best practice. A detailed action plan had been agreed with management. In reply to a question from Mr Daniels, Mr White explained the work being carried out in developing local indicators and the Director of Finance referred to the on-going management process to develop reporting mechanisms to the Quality and Performance Committee.

Ms Marszol (PricewaterhouseCoopers) reported on the findings of a review of Day Surgery and compliance with the British Association of Day Surgery (BADs) Directory of Procedures which contained a number of best practice goals for day cases. By way of background, Ms Marszol described how, in addition to the BADs goals, the Scottish Government had set HEAT targets at national and Board level for all eligible surgeries. By June 2010, NHS Greater Glasgow and Clyde was exceeding its target. One of the key factors in achieving this target had been the establishment of dedicated day surgery facilities, in particular, the new Ambulatory Care Hospitals.

The internal audit review found that there were robust processes for monitoring and reporting on performance against targets. The overall conclusion was positive, with appropriate processes in place. A number of actions, however, had been agreed with management to further improve processes in respect of:-

- Standardisation of the approach to pre-operative assessments;
- Recording of the reasons for extended stay;
- Completion of pre-operative assessment forms in full;
- Coding of surgical procedures.

In answer to questions from Mr Winter and Mr Lee, Mr White explained that the new Patient Management System (PMS), once rolled out to the Clyde area, would allow the use of the standard online pre-operative assessment tool and that the issue of training for staff was being considered by the PMS Project Board.

Ms Marszol summarised the preliminary findings of the internal audit review of the effectiveness of the NHS Greater Glasgow and Clyde response to the results of the Inpatient Patient Experience Survey. This survey had been undertaken in 2010 as part of Scotland's Patient Experience Programme – "Better Together." A sample of 19,974 of the Board's patients had been surveyed and 8,834 had replied, a

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(Cont'd)

ACTION BY

response rate of 47%. The survey asked questions about a number of areas of the inpatient treatment received during 2008/09. The internal audit review concluded that NHS Greater Glasgow and Clyde had adopted a logical approach to the survey results. It was noted that the Acute Services Division had developed action plans for those areas where a positive score of 80% or more had not been achieved. A draft report had been issued to management and once this had been agreed, a summary of the final report would be presented to the next meeting of the Audit Committee.

**Pricewaterhouse/
Coopers**

Mr Revie (PricewaterhouseCoopers) reported on the outcome of an internal audit review carried out to assist management in the development of procedures and processes to agree Resource Transfer payments and ongoing monitoring arrangements which were consistent with Scottish Government guidance. The review specifically focussed on the Resources Transfer agreement with Glasgow City Council. Mr Revie reminded Members of the background to Resource Transfer whereby net resources saved by the closure of continuing care beds are passed to local authorities to enable the development of community based health services. In January 2011, the Scottish Government issued new protocols for agreeing Resource Transfer payments between NSH Boards and local councils.

Mr Revie drew Members attention to the diagram on page 36 of the Activity Report which showed the Joint Partnership Structure which had been implemented in 2011. He referred to the on-going work to disaggregate resources transfer monies from other agreed sources of funding to provide an accurate assessment of Resource Transfer funding provided in 2010/11. A number of recommendations had been made to strengthen processes including the preparation of a document setting out respective responsibilities for the current community care plan and the development of procedures for the resolution of disputes. Mr Revie explained that the Director of Glasgow City Community Care Partnership had agreed these recommendations and the full internal audit report would be finalised shortly. Replying to questions from Mr Lee and Mr Daniels, the Director of Finance described the challenges which the NHS Board faced in partnership working and explained the NHS Board's contractual relationship with private nursing homes.

Mr Revie gave a summary of the main findings of a review of Performance Management in the new Glasgow City Community Care Partnership (CHP). This review had been carried out to support management in developing performance management arrangement in the new Glasgow City CHP. Members' attention was drawn to the diagram on page 38 of the report which set out the governance arrangements and Mr Revie commented on a number of areas of good practice including the key role in objective setting played by the CHP Sector Heads of Planning and Performance. A number of matters had been identified for consideration by management including:-

- The need for all objectives to be SMART (specific, measurable, achievable, realistic and timed);
- Linkage between objectives/targets and performance indicators.

A number of legacy matters relating to the former Glasgow CHCPs were highlighted including the timeliness and availability of information

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ACTION BY

and the prioritisation of key deliverables and performance indicators. Mr Revie concluded by noting that an Action Plan had been agreed with the Director of Glasgow City CHP.

NOTED

30

DATE OF NEXT MEETING

The next meeting was scheduled for Tuesday, 7 June 2011 at 1.00 p.m.

The meeting ended at 11.20 a.m.

AUDIT COMMITTEE: 7 JUNE 2011

A (M) 11/04
Minutes: 31 – 45

NHS GREATER GLASGOW AND CLYDE

**Minutes of a Meeting of the
Audit Committee
held in the Boardroom,
J B Russell House, Gartnavel Royal Hospital,
on Tuesday, 7 June 2011 at 1.00 p.m.**

PRESENT

Mrs E Smith (Chair)
Mr P Daniels OBE
Cllr J Handibode
Dr M Kapasi MBE
Mr I Lee
Dr R Reid
Mr D Sime
Mr K Winter

IN ATTENDANCE

Mr D Griffin	Director of Finance (except Minute 33)
Mr S Baker	Head of Capital Planning and Procurement (Minute 31)
Mr J C Hamilton	Head of Board Administration (except Minute 33)
Mr A Lindsay	Financial Governance and Audit Manager (except Minute 33)
Mr P Ramsay	Head of Operational Financial Services (except Minute 33)
Mr C D Revie	PricewaterhouseCoopers
Mr M White	PricewaterhouseCoopers
Mr D McConnell	Audit Scotland
Mr J Rundell	Audit Scotland

ACTION BY

31 APOLOGY AND WELCOME

An apology was intimated on behalf of Mrs J Murray. The Convener welcomed Dr Kapasi and Dr Reid who were both attending their first meeting of the Audit Committee.

32 RESPONSE TO AUDIT SCOTLAND REPORT: MANAGEMENT OF THE SCOTTISH GOVERNMENT'S CAPITAL INVESTMENT PROGRAMME

A report of the Head of Capital Planning and Procurement (Audit Paper no 11/15) was presented asking Members to note the Board's response to the Audit Scotland report on the Management of the Scottish Government's Capital Investment Programme.

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32 (Cont'd.)

ACTION BY

In the absence of the Head of Capital Planning and Procurement, the Partnerships Project Manager explained that the Audit Scotland report was a follow up of a previously issued report on major capital projects in Scotland. The follow up report was organised into three parts:-

1. Capital investment in Scotland;
2. The performance of recently completed major capital projects;
3. Managing the capital investment programme.

A total of 55 projects had been considered as part of the follow up review and four of these related to NHS Greater Glasgow and Clyde. Members' attention was drawn to the table contained within the Board's response. This showed the four messages which Audit Scotland identified as key within their follow up report and described the position within NHS Greater Glasgow and Clyde with regard to these four key points. In addition, the table within the Board's response set out the Audit Scotland recommendations addressed to the Scottish Government and those aimed at public bodies, together with the actions taken by the Board to support the former and to implement the latter. The Director of Finance commented that the Audit Scotland follow up report had provided context to the projects reviewed which allowed the reader to understand why projects had followed the paths they had. The Convener thanked the Partnerships Project Manager for his presentation.

NOTED

33 **PRIVATE MEETING WITH THE INTERNAL 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 intimated to the Convener that they were content to meet jointly rather than separately with the Committee.

34 **MINUTES**

On the motion of Mr Lee, seconded by Mr Winter, the Minutes of the meeting on 12 May 2011 [A (M) 11/03] were approved as a correct record and signed by the Convener.

35 **MATTERS ARISING FROM THE MINUTES**

In reply to a question from the Convener in respect of Minute 29, Mr White (PricewaterhouseCoopers) explained that the Head of Pharmacy and Prescribing Support Unit would attend the meeting of the Audit Committee on 25 October 2011, when the contingency arrangements for the Pharmacy Distribution Centre would be included in the discussion.

**Financial Governance
& Audit manager**

36 **AUDIT SCOTLAND: REVIEW OF INTERNAL CONTROL SYSTEM 2010/11**

A report of Audit Scotland (Audit Paper No. 11/16) was presented asking Members to note the outcome of the Audit Scotland review of

AUDIT COMMITTEE: 7 JUNE 2011

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(Cont'd.)

ACTION BY

the Board's internal control systems for 2010/11. Mr Rundell (Audit Scotland) described how, early in the audit planning process, Audit Scotland had liaised with the internal auditors, PricewaterhouseCoopers, to agree those areas where Audit Scotland would place reliance on the work of internal audit. Audit Scotland then focussed their work on the remaining key areas and Mr Rundell drew Members' attention to the appendix to the report which set out the matters which had arisen and details of the action being taken by management to address these matters. Audit Scotland had also followed up the recommendations made in the previous year and found that with one exception, all agreed actions had been taken. The exception related to an amendment to Standing Financial Instructions where management had determined that the issue of a procedural note would be a more appropriate response. Mr Rundell referred to the overall conclusion in the report which stated that based on the review and testing of selected financial systems, NHS Greater Glasgow and Clyde had adequate systems of internal control.

NOTED

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INTERNAL AUDIT ANNUAL REPORT 2010/11

A report of PricewaterhouseCoopers (Audit Paper No 11/17) was presented asking Members to note the Internal Audit Annual Report for 2010/11. Mr Revie (PricewaterhouseCoopers) explained how, under the Government's Internal Audit Standards, the Head of Internal Audit was required to provide a written report to the Accountable Officer to inform the NHS Board's Statement on Internal Control which formed part of the Annual Accounts. The internal audit work carried out during the year was based on the internal audit annual plan for 2010/11 which had been approved by the Audit Committee. Mr Revie drew Members' attention to section 3 of the report which listed all audits completed and classified each report in terms of risk as critical, high, medium or low. There were no reports in 2010/11 classified as critical risk. The conclusion from the internal audit work carried out in 2010/11 was contained in paragraph 2.09 of the annual report which stated:

"We have completed the programme of internal audit work for the year ended 31 March 2011 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 organisation's overall system of internal control. We did however identify a number of areas of higher risk in a number of specific systems and process but we do not believe that any of these areas require specific disclosure on the Statement on Internal Control. It is emphasised that corrective actions to address all the internal audit recommendations raised in the year have been agreed with management and that these actions will be followed up in 2011/12."

In answer to a question from Dr Kapasi, Mr Revie explained the process for classifying reports in terms of risk and in particular, how this had applied to the report on information governance, noting that the report had been considered at the meeting of the Audit Committee in October 2010 when the Director of Health Information and Technology had attended to describe the response to the report (minute 45 refers). The Director of Finance noted that while some of

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the findings were important, they did not in themselves require disclosure in the Statement on Internal Control. The internal audit report had been valuable in assisting management to improve systems further. Mr Rundell (Audit Scotland) noted that the review of the NHS Board's information governance arrangements by the Information Commissioner had produced a favourable outcome with the conclusion that the Board's systems were reasonable. The Director of Finance explained that the internal audit report would be subject to a follow up review and Mr White (PricewaterhouseCoopers) confirmed that this would take place in the last quarter of 2011.

**Pricewaterhouse
Coopers**

NOTED

38 INTERNAL AUDIT DRAFT RISK ASSESSMENT AND PLAN 2011/12

A report of PricewaterhouseCoopers (Audit Paper No 11/18) was presented asking Members to approve the Internal Audit Draft Risk Assessment and Plan 2011/12. Mr White (PricewaterhouseCoopers) described the seven step process followed to develop the draft Risk Assessment and Plan and how the draft had then been considered by the Audit Support Groups and the Corporate Management Team.

In response to comments by Mr Winter on the proposed level of coverage for clinical governance, the Director of Finance noted that there was a clinical governance dimension to many of the audit subject areas and Mr Revie drew Members' attention to the Audit Universe described on page 3 of the draft Risk Assessment and Plan and the clinical governance element contained therein. Members discussed the matter of the auditing of clinical records. Mr Lee commented on the need to include nursing records in any review. Dr Reid noted the need to also consider the proposed move to a paper light medical records system. It was agreed that the Director of Nursing and the Medical Director be consulted to agree the scope of an internal audit of clinical records being carried out within NHS Greater Glasgow and Clyde using the existing allocation of days within the Internal Audit Plan.

**Director of Nursing &
Medical Director**

DECIDED:

That the Draft Internal Audit Risk Assessment and Plan 2010/11 be approved.

**Pricewaterhouse
Coopers**

39 ANNUAL FRAUD REPORT 2010/11

A report of the Financial Governance and Audit Manager (Audit Paper No. 11/19) was presented asking Members to approve the Annual Fraud Report for 2010/11. The Financial Governance and Audit Manager explained that the report was intended to supplement the regular fraud reports which the Audit Committee had already received and summarised the year end position in terms of national and local counter fraud arrangements together with a summary of the number and type fraud cases under investigation at the year end. Members' attention was drawn to the following matters in particular:-

- 14 cases of suspected fraud were under investigation at the

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year end; this appeared to be a relatively small number given the size and complexity of the organisation.

- 107 reported suspicions or allegations of fraud were received during the year, of which 41 proved to be unfounded.
- As a result of revised guidance issued by the Scottish Government, all cases where overseas patients who were due to pay for their treatment were to be reported as fraud if they had not repaid in full at the year end. This resulted in an apparent significant increase in the level of fraud committed by overseas visitors. Members commented on the appropriateness of the revised guidance.

In response to a question from Mr Lee, the Financial Governance and Audit Manager described the arrangements for dealing with overseas patients.

DECIDED:

That the Annual Fraud Report 2010/11 be approved.

**Financial Governance
& Audit Manager**

40 **LOSSES AND COMPENSATIONS 2010/11**

A report of the Financial Governance and Audit Manager (Audit Paper No. 11/20) was presented asking Members to note the losses incurred during 2010/11. The Financial Governance and Audit Manager explained that it was a requirement of the Audit Committee Handbook that the Audit Committee review the losses and compensations incurred in each financial year. A detailed report on losses and compensation payments had been made to the Audit Support Group – Corporate and Partnerships in May 2011 and a summary was now presented to the Audit Committee for consideration.

Members' attention was drawn to Appendix 1 to the report which analysed losses and compensation payments in 2010/11 and provided comparative figures for 2010/11. Reference was made to the apparent increase in fraud by overseas visitors. This was largely the result of the application of revised guidance issued by the Scottish Government and was to a large extent, offset by a corresponding decrease in the amount of bad debt resulting from the same guidance. The Director of Finance noted the increase in clinical compensation payments and Dr Kapasi referred to the increasingly litigious environment in which the NHS Board had to work. In addition, the Director of Finance commented on the decrease in losses due to salary overpayments and referred to the improved controls over payroll processes which had been introduced during 201/11.

NOTED

41 **REVIEW OF SYSTEM OF INTERNAL CONTROL AND DRAFT STATEMENT ON INTERNAL CONTROL**

A report of the Financial Governance and Audit Manager (Audit Paper

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No, 11/21) was presented asking Members to

1. Approve the report on the System of Internal Control within NHS Greater Glasgow and Clyde;
2. Approve for submission to the NHS Board on 28 June 2011 the Statement of Assurance by the Audit Committee;
3. Approve the Statement on Internal Control for submission to the NHS Board on 28 June 2011 with a recommendation that the Chief Executive, as Accountable Officer, sign the Statement on Internal Control;
4. Approve the letter from the Chair of the Audit Committee to the Scottish Government Health and Wellbeing Audit Committee.

The Financial Governance and Audit Manager explained that within the Annual Accounts was a Statement on Internal Control (SIC). The purpose of the SIC was to describe the NHS Board's system of internal control, including financial and all other, non-financial controls. Any weakness in the system of internal control should be disclosed in the SIC and the completed SIC must be signed by the Chief Executive in his role as Accountable Officer for NHS Greater Glasgow and Clyde. The guidance issued by the Scottish Government on completion of the SIC emphasised the role played by the Audit Committee in reviewing the system of internal control and providing assurance to the NHS Board. The report on the review of the system of internal control was intended to assist the Audit Committee in discharging this responsibility.

The Financial Governance and Audit Manager drew Members' attention to page 5 of the report which provided an overview of the process to evaluate and report on the system of internal control. Appendix 1 to the report described the various sources of evidence used in this evaluation and was supported by seven annexes giving further detail. The first annex profiled the NHS Board's arrangements against a range of standards set out in the guidance provide on the preparation of the SIC. The remaining six annexes consisted of statements of assurance from the various committees responsible for governance for example, the Risk Management Steering Group and the Clinical Governance Committee. Replying to a question from Mr Lee, the Financial Governance and Audit Manager confirmed that signed versions of the statements of assurance would be available at the next meeting of the Audit Committee.

**Financial Governance
& Audit Manager**

On the basis of the available evidence, it was suggested that there were no weaknesses in the system of internal control which required to be disclosed in the SIC. One matter did however require to be mentioned within the SIC. During 2010/11, the Scottish Government issued revised guidance on Best Value. This guidance was to be implemented during 2011/12 but stated that reference should be made within the 2010/11 SIC to the fact that the guidance would be implemented in 2011/12.

A draft Statement of Assurance from the Audit Committee to the NHS Board and a draft SIC had been prepared on this basis and were included in the report as Appendices 2 and 3 respectively. The Financial Governance and Audit Manager reported that since the draft SIC had been prepared, a number of matters required to be

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mentioned within the SIC, specifically the progress made towards a single Information Strategy and the move from five Glasgow Community Health and Care Partnerships to a single Glasgow Community Health Partnership. A revised SIC incorporating these and any other changes subsequently required, would be presented to the Audit Committee at the next meeting as part of the Annual Accounts.

**Financial Governance
& Audit Manager**

The Financial Governance and Audit Manager explained that in addition to process for signing off the SIC, the Scottish Government Health and Wellbeing Audit Committee required Chairs of NHS Boards to write to provide details of any significant frauds or other matters arising during the year which they felt should be brought to the attention of the Health and Wellbeing Audit Committee. A letter had been drafted in accordance with the guidance issued to report that there were no such issues to report in respect of NHS Greater Glasgow and Clyde.

DECIDED:

1. That the report on the System of Internal Control within NHS Greater Glasgow and Clyde be approved;
2. That the Statement of Assurance by the Audit Committee be approved for submission to the NHS Board on 28 June 2011;
3. That the Statement on Internal Control, amended as agreed, be approved for submission to the NHS Board on 28 June 2011 with a recommendation that the Chief Executive, as Accountable Officer, signs the Statement on Internal Control;
4. That the letter from the Chair of the Audit Committee to the Scottish Government Health and Wellbeing Audit Committee be approved for issue.

**Financial Governance
& Audit Manager**

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DRAFT DIRECTORS' REPORT AND STATEMENTS OF RESPONSIBILITIES AND INTERNAL CONTROL 201/11

A report of the Director of Finance (Audit Paper No 11/11) was presented asking Members to approve the draft Directors' Report, including the Statements of Responsibilities and the Statement on Internal Control, for submission to the NHS Board on 28 June 2010. The Director of Finance explained that Members would have the opportunity to consider the full set of Annual Accounts at the next meeting on 21 June 2011 and in the meantime the narrative elements of the accounts package were presented for consideration and approval. Figures had been included in certain areas but these might be subject to change before the audit of the accounts was concluded. The closure meeting with Audit Scotland was scheduled for the following week by which time the final figures should have been agreed.

The Director of Finance drew Members' attention to a number of matters:-

- On page 5 of the Directors' Report, the statistics showed an improvement in performance in respect of the invoice payment target;
- Page 10 of the Directors' Report showed subject to audit confirmation that the NHS Board had achieved its financial targets in terms of the Revenue Resource Limit and the Capital

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- Resource Limit;
 - Performance against the HEAT targets was described on pages 11 to 13 of the Directors' Report;
 - The Remuneration Report on pages 15 to 17 gave details of remuneration of Non-executive Directors and Executive Directors.
- In response to a question from Mr Sime, the Director of Finance confirmed that the figures in the Remuneration Report included pension costs. Replying to a question by Mr Lee, the Head of Operational Financial Services undertook to change the column headings in the Remuneration Report from salary to Remuneration. Mr Winter expressed his appreciation for the work done in preparing the annual accounts, which subject to audit confirmation, confirmed that the Board had achieved its financial targets.
- Head of Operational
Financial Services**
- DECIDED:
- That the draft Directors' Report and Statements of Responsibilities be approved for inclusion in the Annual accounts for 2010/11.
- Head of Operational
Financial Services**
- 43 **AUIT SUPPORT GROUP – CORPORATE AND PARTNERSHIPS:
MINUTES OF MEETING ON 25 MAY 2011 [ASG CP (M) 11/03]**
- NOTED
- 44 **AUDIT SUPPORT GROUP – ACUTE: MINUTES OF MEETING ON 11
MAY 2011 [ASG A (M) 11/02]**
- NOTED
- 45 **DATE OF NEXT MEETING**
- The next meeting was scheduled for Tuesday, 21 June 2011 at 9.30 a.m.
- The meeting ended at 3.00 p.m.