

A (M) 14/02 Minutes: 20 - 38

NHS Greater Glasgow and Clyde

**Minutes of a Meeting of the Audit Committee
held in the Board Room,
JB Russell House, Gartnavel Royal Hospital, Glasgow G12 0XH
on Tuesday, 3 June 2014 at 1:00pm**

PRESENT

Mr I Lee (Chair)
Mr P Daniels OBE (until minute 27)
Mr R Finnie
Mr D Sime

IN ATTENDANCE

Mr M Gillman	Financial Governance Manager
Mr J Hamilton	Head of Board Administration
Mr P James	Director of Finance
Ms S Johnston	Head of Civil Contingency Planning (for minute 23)
Mr P Ramsay	Head of Financial Services (until minute 26)
Mr M Sheils	Assistant Head of Financial Services (until minute 26)
Ms H Russell	Audit Scotland
Ms G Woolman	Audit Scotland
Ms C Davidson	PwC
Ms F Gray	PwC
Mr M White	PwC
Mr K Wilson	PwC

Action by

20. Private meetings with the External Auditors and Internal Auditors

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

21. Apologies

Apologies for absence were received from Mr K Winter, Dr M Kapasi MBE, Dr R Reid and Cllr M Rooney.

Mr Gillman advised members that Dr Kapasi was shortly due to retire and this would have been last Audit Committee meeting.

On behalf of the Committee, Mr Lee noted his thanks to Dr Kapasi for his contribution to the Committee over the years.

22. Declarations of Interest

No declarations of interest were noted in relation to any of the agenda items to be discussed.

23. Business Continuity Planning

Following on from an internal audit review of Business Continuity Planning, the recently appointed Head of Civil Contingencies Planning, Ms Sally Johnston, described for members the key points from the work being done to address the audit findings. She reported that, since her appointment she had been drawing up plans and these should see all the agreed actions implemented by October 2014. Ms Johnston also advised that a simulation exercise would be taking place with the CH(C)Ps in August planning for loss of premises.

Mr James considered that this was an encouraging message, and stated that the continuity of the Board's facilities and buildings was crucial, and plans must be in place to ensure continuity in the event of a major incident.

There followed some discussion around the linkage of business continuity management and risk management, and it was agreed that officers would look at this going forward.

Mr Lee thanked Ms Johnston for her contribution, and noted that he looked forward to the actions being completed.

**Financial
Governance
Manager**

24. Minutes

The minutes of the meeting on 5 March 2014 (A (M) 14/01) were proposed as a correct record by Mr Finnie and seconded by Mr Sime.

25. Rolling Action List

Mr Gillman referred to the Rolling Action List, and outlined for the Committee the position on each item. He highlighted that there was a new schedule, included for the first time, containing details of audit findings and agreed actions. In particular he drew members' attention to the schedule showing the findings and actions from the following high risk reports:

- Cash management
- Business continuity Management

Action by

- Action Planning from Child Protection reviews
- CVC and PVC Auditing

Mr Gillman advised that PwC would be referring to the follow-up of these reports later on the agenda. He added that with the exception of Business Continuity Planning (which would be flowed up at the revised date), agreed actions had been implemented.

**Financial
Governance
Manager**

Mr James noted that this report had been discussed by the new Audit Committee Executive Group, and that he considered the new process for ensuring audit findings are being acted on was working well.

Mr White endorsed that view and considered the new group was a success.

Noted

26. Year end draft Directors' and Strategic Reports, Statements of Responsibilities, Governance Statement

The Director of Finance presented a report asking Members to note the draft Directors' Report (including the Statements of Responsibility and Governance Statement) and the draft financial statements. The Director of Finance explained that these papers were in draft form and final versions would be presented to the Audit Committee for approval at the meeting on 17 June 2014, following any changes required as a result of the audit. The purpose of this paper was to allow members to familiarise themselves with the format and content of the documents in order to facilitate the approval process at that next meeting. He suggested that if any members had any questions regarding any figures in the financial statements that they should contact the Head of Financial Services. Mr James took members through the paper, highlighting any particular items of note including the consolidation of endowment accounts and that, subject to audit, a surplus of around £10.1m against the Revenue Resource Limit was anticipated. He also advised members that the HEAT target section and the Governance Statement was still subject to approval by the Chief Executive.

In response to a question from Mr Sime as to why the remuneration report was not included in the pack, Mr Ramsay advised that there was currently an issue with the new guidance on completion of the schedules, and that he was awaiting further guidance from SGHSCD. Ms Woolman noted that in other boards where the remuneration report had been completed, some "odd" results had been seen, and agreed it would be better to await further advice before completing the schedules.

Mr Lee asked about the consolidation of the endowment fund accounts, and whether the accounting policies would describe the new requirements. Mr Sheils advised that the accounting policies would reflect the new arrangements.

**Assistant Head of
Financial
Services**

Noted

27. Internal Audit: Progress Report

Mr White outlined PwC's Internal Audit Activity report covering the period to May 2014, which summarised the findings and recommendations of assignments completed during the period and also the changes in the proposed work from the original plan. He advised members that at the end of May they had completed 15 reviews, two were in draft, one was an ongoing activity providing support to the Risk Management Steering Group, leaving two reviews to be finalised. He also outlined the other activities carried out during the year – follow-up procedures, the endowment funds project and risk management support.

Ms Gray highlighted for members the findings of the following reports, which mainly covered the key financial processes, that had been completed since the last meeting:

- Finance: Accounts Payable
- Finance: Endowments
- Finance: Bank and Cash
- Finance: Payroll and Expenses
- Financial Processes in Assets Under Construction
- Measurement of the Benefits from Change Fund Investment

With the exception of Accounts payable which was a medium risk, Ms Gray advised members that the others were low risk.

In reference to Accounts Payable, Mr Lee expressed his disappointment that this was still a medium risk report. Mr James advised that these findings would be addressed after the year end accounts were completed.

Head of Financial Services

Mr Lee also asked about the delays in the timely processing of leavers in payroll; Mr James noted that the delay was in information being passed to payroll rather than in the processing, and that managers would be reminded of the need to inform payroll promptly when someone leaves.

Head of Financial Services

With regard to Assets Under Construction, Mr Lee asked Mr James for an update to be provided to the Committee covering the processes for approval and monitoring of spend on hub projects. Mr James undertook to have this provided for the August meeting.

Director of Finance

Ms Gray continued to outline the work that PwC had carried out to verify that audit recommendations have been implemented. As noted earlier in the meeting there were several outstanding actions in respect of Business Continuity Management, and plans are in place to complete these actions.

Head of Civil Contingencies

Noted

28. Internal Audit Annual Report 2013/14

Mr Wilson presented the Annual Internal Audit Report for 2013/14. He advised that from 1 April 2013, the standards for Internal Audit in the Public Sector changed, and that since that date Central Government, Local Government and Health have had to comply with Public Sector Internal Audit Standards (PSIAS), which replaced the Government Internal Audit Standards (GIAS). The PSIAS were developed by the Chartered Institute of Internal Auditors (IIA) and CIPFA and represent the highest standards in respect of public sector internal audit.

He also explained that the Head of Internal Audit was required to provide a written report to the Accountable Officer to inform the NHS Board's Governance Statement. The internal audit work carried out during the year was based on the internal audit annual plan for the year which had been approved by the Audit Committee.

Mr Wilson drew members' attention to the Head of Internal Audit Opinion which was based on the criterion that their work had identified

- medium risk rated weaknesses in individual assignments that are not significant in aggregate to the system of internal control; and/or
- high risk rated weaknesses in individual assignments that are isolated to specific systems or processes; and
- none of the individual assignment reports have an overall classification of critical risk.

He advised members this enabled him to give the following opinion:

"Based on the work we have completed, we believe that there is some risk that management's objectives may not be fully achieved. Improvements are required in those areas to enhance the adequacy and/or effectiveness of governance, risk management and control."

Mr Wilson noted that this opinion was the second best from a possible five opinions. He advised members that he considered that controls are as strong as before.

In response to a question from Mr James, Ms Woolman confirmed that Audit Scotland could place reliance on the individual internal audit reports.

There discussion around the internal control issues identified, and agreed that mention of this should be included in the Governance Statement.

Noted

29. Draft Internal Audit Plan 2014/15

Mr White took members through the thorough process that had been adopted in the preparation of the Draft Internal Audit Plan. He noted that feedback had been received from directors.

Action By

Mr James confirmed that the Audit Plan was on the agenda for the August Board Seminar, to allow all Non-executive Board Members to be aware of the plan.

**Head of Board
Administration/
PwC**

There followed some discussions around the plan, and in particular a suggestion from the Board Medical Director that a review of R&D might be usefully included. Mr James summarised an ongoing investigation into suspected wrongdoing by a consultant in the area of R&D. Mr Lee asked that PwC accommodate a review of R&D within the 665 indicative days in the plan.

PwC

Decided

that the Draft Internal Audit Plan be approved

30. External Audit Progress Report

Ms Woolman referred members to Audit Scotland's report in which progress in respect of the various streams of work carried out as part of the audit of the Board's annual accounts for 2013/14 was reported. She highlighted the main thrust of their work was, at present, in respect of the financial statements, and that a full set of working papers was received on schedule. Ms Woolman outlined the other areas that Audit Scotland was progressing including the reviews on Register of Interest and ICT Computer Audit Activity, performance audit and the review of the National Fraud Initiative.

Noted

31. Audit Scotland – Review of Register of Interests

Ms Russell highlighted the key points from the Audit Scotland review of the Register of Interests referred to by Ms Woolman.

She advised that Audit Scotland's review of the Board members' register of interests established that, in general, the processes in place are well developed and operating effectively. However, there were some areas identified where improvements could be made, particularly in relation to achieving better compliance with the requirements of The Ethical Standards in Public Life etc. (Scotland) Act 2000.

Mr Hamilton commented that he thought this was a useful report, and anticipated that there would be a system in place for all staff to register interests by July 2014. It was also the intention to capture information in respect of GPs and GDPs by the end of the year.

**Head of Board
Administration**

Noted

32. Audit Scotland – Review of Internal Controls

Ms Woolman presented Audit Scotland's report detailing Audit Scotland's assessment of the systems of internal control put in place by management. She highlighted for members the key findings identified in the review, and advised that she was able to record that based on their review and testing of selected financial systems the overall conclusion is that NHSGGC has adequate systems of internal control.

Ms Woolman advised that the matters raised in the report together with those raised in the reports on User Access and Identity Management and the review of the Registers of Interest should be considered as part of the Accountable Officer's assessment of the review and adequacy of the financial governance processes in place to support the annual Governance Statement.

**Financial
Governance
Manager**

Noted

33. Annual Fraud Report

Mr Gillman presented the Annual Fraud Report for 2013/14. The report summarised the NHS Board's counter fraud arrangements and also the nature and level of fraud within NHS Greater Glasgow and Clyde. He also summarised the position in respect of the National Fraud Initiative, and described the extrapolations provided by CFS in respect of patient fraud.

In terms of the nature and level of fraud, details were given of the new cases of fraud which were discovered in 2013/14. The conclusion of the report was that the level and nature of fraud which has occurred within NHSGGC does not indicate that there are deficiencies within the specific counter fraud arrangements nor significant weakness in the overall system of internal control within the organisation.

Noted

34. Losses and compensations 2013/14

Mr Gillman presented a report for members to note the details of losses incurred and compensation payments made during 2013/14. He advised members that the Remit of Audit Committee required consideration of the losses and compensation payments in accordance with the Scottish Government Audit Committee Handbook.

He noted that whilst there was a significant increase in respect of compensation payments, these were largely recoverable from the Clinical Negligence and Other Risk Indemnity Scheme.

Noted

35. Review of the system of internal control 2013/14

Mr Gillman 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 the draft Governance Statement.

Evidence had been assembled from a variety of sources including the work of external audit and internal audit. In addition, statements of assurance had been provided by directors, based on an internal checklist completed by each department/partnership/directorate. These statements of assurance were included as appendices to the report and the checklists were in members' supplementary packs. Mr Finnie asked why some assurance statements were signed and others not. Mr Gillman advised they had all been submitted electronically and that he would obtain physical signatures where missing.

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. Accordingly, a proposed statement of assurance by the Audit Committee had been prepared for submission to the NHS Board at the meeting on 24 June 2014.

After discussion, it was agreed to recommend that the audit disclosures referred to previously in respect of CVC and PVC Auditing, User Access and Identity Management and Register of Interests should be disclosed in the Governance Statement and assurance statement.

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The draft Governance Statement included within the Directors' Report section had been prepared based on the proposed conclusion from the review of the system of internal control. The Governance Statement 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.

Decided that :

1. the report on the Review of the System of Internal Control be approved;
2. subject to additional disclosures the Statement of Assurance by the Audit Committee be approved for submission to the NHS Board on 24 June 2014;

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Governance
Manager**

3. subject to additional disclosures the draft Governance Statement be approved for submission to the NHS Board on 24 June 2014, with a recommendation that the Chief Executive signs the Governance Statement;
4. the letter from the Chair of the Audit Committee to the Health and Wellbeing Audit Risk Committee be approved.

36. Draft Corporate Risk Register

Mr James presented the Draft Corporate Risk Register for noting, as it had yet to be commented on by directors. The register would be brought back for approval at a future meeting.

Mr Lee remarked that that he considered that the transitional arrangements and costs of the move to the new hospitals should be incorporated into the register, and Mr Finnie expressed his view that finance risks should be similarly included. Mr James agreed to look at incorporating these.

**Financial
Governance
Manager**

Noted

37. Audit Committee Executive Group - Minutes of Meeting

The minutes of the meeting Audit Committee Executive Group held on 5 March 2014 were presented to members.

In response to a question from Mr Finnie about the minutes providing assurance, Mr James advised that the intention was not for the Audit Committee to take assurance, and that PwC would provide the Audit Committee with assurance that recommended actions are being implemented.

Noted

38. Date of next meeting

- Tuesday, 17 Jun 2014 at 10:00am.

The meeting concluded at 4:40pm.