

Not yet approved as a true record of the meeting

A (M) 15/01 Minutes: 1 – 16

NHS Greater Glasgow and Clyde

**Minutes of a Meeting of the Audit Committee
held in Meeting Room A,
JB Russell House, Gartnavel Royal Hospital
on Tuesday, 24 February 2015 at 9:30am**

PRESENT

Mr K Winter (Chair)
Mr R Finnie
Dr R Reid
Mr D Sime

IN ATTENDANCE

Mr J Hobson	Interim Director of Finance
Mr P Ramsay	Head of Financial Services
Mr M Gillman	Financial Governance Manager
Ms G Woolman	Audit Scotland
Mr M Kingston	Audit Scotland
Ms J Downie	PwC
Ms F Gray	PwC
Mr M White	PwC
Ms M Farrell	Interim Sector Hospital Director for South Clyde (for minute 5)

Action by

1. Apologies

Apologies were intimated on behalf of Mr I Lee, Mr P Daniels OBE and Cllr M Rooney

2. Declarations of Interest

Mr White, representing PwC at the meeting, declared that he was due to take up the post of Director of Finance on 1 April 2015. Committee members had no issues with respect to Mr White participating in the meeting in his capacity as internal auditor.

Action by

3. Minutes

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The minutes of the meeting on 25 November 2014 (A(M)14/05) were approved as a correct record of the meeting.

Members also noted the minutes of the Audit Committee Executive Group held on 27 January 2015.

4. Matters Arising and Rolling Action Lists

Mr Gillman updated the Committee on the position of items on the rolling action list.

Business Continuity Management - the Head of Civil Contingencies Planning had been due to attend the meeting to confirm that the revised date for completion of management actions had been achieved. However, she had informed Mr Gillman, the day before the meeting, that she was on sick leave and could not attend the meeting. Mr Hobson advised members that he would meet the Director of Public Health to communicate the view of the Audit Committee that this was an unsatisfactory position, and would circulate to members the updated position when it was ascertained.

Interim Director of Finance

Bad debts write-off – Mr Ramsay updated members on the position relating to debts due from Welsh health authorities. He advised that the Board had suspended pharmacy services, and also that the SGHSCD had given permission from the Board to take this matter to litigation. In response to a question from Mr Winter about overseas debts, Mr Ramsay confirmed that the overall process for billing and recovering debts was being tightened up. Mr Sime requested that a report be brought back to the Committee.

Head of Financial Services

Mr Gillman drew members' attention to the second part of the rolling action list – the table summarising audit findings. He highlighted that PwC's follow-up work had identified one medium risk action that had not been completed arising in the Professional Registrations Process report. Ms Gray advised that this was due to a national delay in implementing the EEs system.

Noted

5. Internal Audit Progress Report

Ms Gray updated members on the internal activity to February, highlighting reports that had been started, completed, or delayed during the period. In particular, she advised members that PwC continued to experience delays in respect of their Significant Capital Project Post Project Evaluation (PPE) review. Ms Gray noted that PwC were still waiting to receive documents from the Head of Capital Planning (HCP) to allow the audit work to commence.

Mr Hobson advised that he had spoken to the HCP and also the Director of Facilities and Capital Planning, and his understanding was that a schedule for the work had been agreed to now take place during March/April.

Interim Director of Finance

Action by

Mr Winter commented that this was not an acceptable situation and that he

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would advise the Chief Executive.

Ms Woolman noted that if the internal auditor was experiences challenges in completing their work, then that should be reflected in their annual report.

Ms Gray also highlighted that two other reports were behind schedule: the Corporate Governance – Clinical Governance review was underway, but, in agreement with the Medical Director the duration of the fieldwork was extended to allow PwC to include the proposed Clinical Governance structure within their review. This extension of fieldwork will allow PwC to provide timely feedback on the proposed restructure, but has resulted in a delay to the planned reporting timeline; also, the fieldwork for the Energy and Sustainability review was extended into January 2015 to make allowances for NHSGGC staff annual leave over the festive period. The report is currently being finalised with Management and will be presented to the Audit Committee in June 2015.

Ms Downie continued to outline for members the findings of eight reviews that had been finalised since the last meeting:

- **Delayed Discharge** - the objective of this review was to evaluate the design and control operation of the key controls in NHSGGC's Delayed Discharge process, with the following key areas considered: governance; the discharge process; management; and preparation for changes in national targets.

The review was rated as medium Risk, with four medium risk findings.

The Acting Director of Rehabilitation and Assessment, Ms Farrell apprised the Committee of the actions that management were taking in response to the audit findings, and answered a number of questions from members on those actions.

- **Review of Procurement in Operational Estates** - Ms Downie advised that this review addressed the work carried out by the central Estates Procurement team, focussing on compliance with policies and procedures, governance and the NSS procurement review.

The review was rated as medium risk, and whilst PwC recognised that significant progress had been made, they did note areas where improvements could be made. Management have accepted the findings reported, and have set out the actions they will undertake to resolve the issues identified.

In response to a question from Dr Reid about number of invoices received prior to an order being raised, Mr Ramsay advised that these cases were likely to have been items needed at short notice for repairs etc, but nevertheless it was an issue for Estates to consider.

- **Key Financial Controls (Accounts Receivable, General Ledger, Payroll and Accounts Payable)** – the objective of this review was to evaluate the design and operational effectiveness of the main financial processes within NHS Greater Glasgow & Clyde.

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Controls over Accounts Receivable were rated as medium risk, but the other areas were all rated as low risk. The medium risk findings related to a lack of compliance with procedures relating to raising of credit notes along with a lack of debt collection reminder letters. Mr Ramsay advised that work had begun to ensure that the agreed actions were completed.

Ms Woolman noted that Audit Scotland would take cognisance of these findings, and would analyse the aged debtor profile as part of their year end audit.

Noted

6. Internal Audit Review - Risk Management

Mr White advised members that this review had resulted in a high risk rating. The report captured a number of the issues around the Risk Management process, in particular the two high risk findings:-

- Overall responsibility for risk management arrangements – the Risk Management Steering Group (RMSG) was disbanded and the responsibilities of the group were taken on by the Audit Committee Executive Group (ACEG). There is a need to review the composition of the ACEG and its remit, to ensure the ACEG is the appropriate group to oversee and drive forward risk management arrangements across the Health Board.
- Strategy, Policy and Procedures - the Risk Management Strategy and Risk Register Policy drive risk management arrangements across the Health Board. The strategy was last reviewed in 2007 and the policy in 2009. Whilst the Board has taken action to review the documents they have yet to be finalised and approved.

There followed a full discussion on this report. Mr Finnie considered that the ACEG was not the appropriate group to deal with risk. Mr Hobson agreed, and advised that the RMSG would be reinstated, with a meeting arranged prior to the end of March. Mr Finnie suggested that, in future, the RMSG report to the Audit Committee. Mr Sime, however, stated that he didn't think that would be the correct forum, as both clinical governance and staff governance report to Q&P. Mr White suggested that the RMSG will come up with options for reporting and would bring the strategy and policies up to date. Mr Winter considered that the Chief Executive should also be consulted as to the reporting line for the RMSG.

A report on progress will be brought to the next Audit Committee meeting.

Noted

**Director of
Finance**

Action by

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7. Annual Risk Assessment and Internal Audit Plan

Ms Gray continued to present the Annual Risk Assessment and Internal Audit Plan for comment and approval. She described the process undertaken to prepare the draft plan and highlighted the feedback that had been received from management on the content. Ms Gray advised members that the agreed audit days for 2015/16 was 665, and that if the suggested inclusions from management were to be incorporated, that would result in an increase of 25 days. Mr Winter expressed his view that the total days should remain as originally agreed, and, after a detailed discussion on the draft plan, Mr Hobson suggested that the work on Hub schemes and EEs be removed from the plan. It was agreed that the plan would be amended to reflect those changes and be brought back to the next Audit Committee meeting for approval.

PwC

Decided

That the Internal Audit Plan should be amended and re-presented to the Committee

8. Internal Audit Charter

The Committee then considered the Internal Audit Charter. Ms Gray set out the background to this document and after a discussion, the Committee asked for some re-wording of the document.

PwC

Decided

That the Internal Audit Charter is approved subject to re-wording

9. Internal Audit Standards External Quality Assessments

Ms Gray advised the committee that an external quality review of internal audit was required to be carried out before March 2018, and described the options available to the Board. Members discussed the options and requested that Ms Woolman look into the possibility of Audit Scotland carrying out this work. Ms Woolman undertook to take advice from her colleagues on the issue of independence, due to the reliance which Audit Scotland places on the work of internal audit.

Audit Scotland

Noted

10. Audit Scotland

External Audit Progress Report

Ms Woolman referred members to Audit Scotland's Progress report covering the work carried out in the period to February 2015 as part of the 2014/15 Audit Plan, highlighting the key points in respect of their work. She described for members the work of Audit Scotland in relation to Performance Audit, the National Fraud Initiative and the programme of national studies.

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Members discussed the statement, from the Scottish Public Finances report, that “there is limited evidence of longer term financial planning” and Mr Finnie pointed out that the Board is constrained as the resource accounting system mitigated against long term planning.

Noted

11. Audit Scotland

Annual Audit Plan 2014/15

Ms Woolman presented Audit Scotland’s annual audit plan for 2014/15, highlighting that their audit was focused on the identification of the risks of material misstatement and irregularity in the NHSGGC annual accounts. She outlined the key risks areas that had been identified, based on discussions with staff.

Ms Woolman then described planned outputs Audit Scotland would deliver based on review of those risks, and advised that the fee would be £575,000, compared with £578,000 in 2013/14.

Noted

12. Audit Scotland

Review of Internal Audit

Ms Woolman advised members that they had carried out their assessment of the internal audit function provided by PwC. This included a review of the range and quality of PwC’s work. Audit Scotland concluded that the internal audit service operates in accordance with Public Sector Internal Audit Standards and has appropriate documentation standards and reporting procedures in place.

For their financial statements audit responsibilities Audit Scotland plans to place formal reliance on aspects of internal audit’s work in a number of areas.

Noted

13. Corporate Risk Register

Mr Gillman presented the Draft Corporate Risk Register (CRR) for discussion and members’ approval. He advised that this version had been discussed at the meeting of the Audit Committee Executive Group, but would, in future, be scrutinised by the Risk Management Steering Group. Mr Finnie welcomed this extra scrutiny the RMSG would offer. There followed some discussion on the register, with Mr Gillman highlighting the risks that had changed, were new or had been deleted since the previous register seen by the Audit Committee.

Decided

That the draft CRR be approved.

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14. Fraud Report

Mr Gillman highlighted for members the report which detailed progress in the on-going investigations of fraud as at January 2015. There had been four new cases of suspected fraud added to the fraud register during the period and four cases closed. As at January 2015 there were ten open cases of suspected fraud. The detail behind these cases was shown in Appendix 1 – List of Ongoing Fraud Cases.

Mr Gillman also advised that the CFS quarterly report to December 2014 was available for members to review within the supplementary pack of papers.

Finally, he advised members that the National Fraud Initiative was underway, and that a summary of data matches was attached at Appendix 2.

Noted

15. Vote of thanks

Mr Hobson informed members that this was Mr Winter's final meeting as Chair of the Audit Committee, having been a member of the Committee since June 2010, becoming Chair in July 2011. Members joined with Mr Hobson in thanking Mr Winter for his significant contribution to the Audit Committee and offered their best wishes for the future.

Mr Winter thanked Members for their kindness and wished to thank the Director of Finance, the Financial Governance Manger, the internal auditors, PricewaterhouseCoopers, and the external auditors, Audit Scotland, for their support and hard work during his tenure as Chair of the Audit Committee.

16. Date of Next Meeting

The next meeting will be held on Tuesday 2nd June at 9:30am.

The meeting concluded at 12:15pm.