

NHS Greater Glasgow and Clyde

Minutes of a Meeting of the Audit Committee
held in the Board Room,
JB Russell House, Gartnavel Royal Hospital
on Tuesday, 16 June 2015 at 9:30am

PRESENT

Mr R Finnie (Chair)
Mr I Lee
Dr R Reid
Cllr M O'Donnell
Mr D Sime (until minute 42)

IN ATTENDANCE

Mr M White	Director of Finance
Mr P Ramsay	Head of Financial Services
Mr M Sheils	Assistant Head of Financial Services
Mr M Gillman	Financial Governance Manager
Mr J Hamilton	Head of Board Administration
Ms G Woolman	Audit Scotland
Ms H Russell	Audit Scotland
Mr A Brown	Audit Scotland
Ms B Sutherland	BDO (until minute 37)

Action by

34. Welcome and apologies

Mr Finnie welcomed Cllr O'Donnell to his first Audit Committee meeting. He also welcomed Ms Sutherland, from BDO, the Endowment Fund auditor.

Apologies were intimated on behalf of Cllr M Cunning and Cllr M Rooney.

35. Declarations of Interest

There were no declarations of interest intimated.

Action by

Not yet approved as a true record of the meeting

36. Minutes

It was agreed to amend the minutes to reflect Mr Finnie's comments on minutes 25 and 30. These minutes would be amended to include the following – "The Audit Committee agreed that the areas of concern or weaknesses identified should be disclosed in its assurance statement and in the Governance Statement."

**Financial
Governance
Manager**

Subject to the above, and some minor typographic amendments, the minutes of the meeting on 2 June 2015 (A(M)15/02) were approved as a correct record of the meeting.

37. Endowment Fund Accounts

Mr Finnie guided members through the Endowment Fund Accounts; other than highlighting two minor grammatical changes, there were no comments from Members.

Ms Sutherland then presented the report of the auditors, BDO, on the audit of the Endowment Funds Annual Accounts. In particular, she advised that they had substantially completed their audit work, and anticipated that they would issue an unqualified audit opinion. She described for members the key audit and accounting matters that had arisen during their audit and confirmed that none of those had any effect on the accounts. Ms Sutherland also noted that, whilst there were no significant outstanding matters to be resolved, BDO would update Trustees on two outstanding matters at the Trustee meeting on 16 June 2015.

Ms Sutherland advised members that they had identified a "significant risk that investments were not accounted for correctly in the financial statements at the year end." This was as a result of them having identified an anomaly relating to dividend rates received from BlackRock. She did, however, confirm that the level of materiality was such that the accounts were not required to be amended.

Dr Reid and Mr Lee commented on this potential error and suggested that we need to request assurance from BlackRock that this was an isolated mistake.

**Assistant Head of
Financial
Services**

Ms Sutherland concluded by highlighting the draft Letter of Representation that would be signed on behalf of Trustees. She pointed out that the letter was a standard format and that there was nothing in it specific to the audit of the Endowment Funds Accounts.

Decided that

the Audit Committee recommended that the Endowment Fund Accounts be adopted by the Trustees.

Action by

Not yet approved as a true record of the meeting

38. Review of System of Internal Control 2014-15

Mr Gillman presented a paper asking the Committee to approve the report on the Review of the System of Internal Control. The paper outlined the process followed to allow the Audit Committee to review the NHS Board's system of internal control, this review leading to the completion of the draft Governance Statement contained in the Annual Accounts.

The purpose of the statement was to describe the effectiveness of the NHS Board's system of internal control and guidance issued by the Scottish Government stated that NHS Boards were responsible for reviewing the effectiveness of internal control having regard to assurances obtained from the Audit Committee and any other standing committee which covers internal control.

The appendices to the paper contained a review of the NHS Board's system of internal control based upon a number of sources of evidence, including the work of internal and external audit, a review of the NHS Board's governance arrangements, third party service audit reports - in respect of NSS IT Services, National Single Instance and NSS Practitioner and Counter Fraud Services - and statements of assurance provided by directors.

Also attached to the paper as appendices were the draft Statement of Assurance from the Audit Committee to the NHS Board and the draft letter to the Health and Wellbeing Audit and Risk Committee.

The review concluded that two areas of concern should be disclosed in the Chief Executive's Governance Statement and the Audit Committee's assurance statement; these were the Internal Auditor's finding that "there are weaknesses in the framework of governance, risk management and control..." and Audit Scotland identification of an issue in relation to the controls surrounding the authorisation and agreement of agency staff payments. Mr White noted that the Internal Auditor's finding had been previously discussed by the Audit Committee, and that agreement had been reached with Internal Audit to slightly amend the wording of that finding.

Ms Woolman referred to the section on Best Value and pointed out that Audit Scotland's work had not included the Best Value Toolkits. Members agreed that the report be amended accordingly.

Decided that :

1. the report on the Review of the System of Internal Control be approved;
2. the Statement of Assurance by the Audit Committee be approved for submission to the NHS Board on 23 June 2015;
3. the Governance Statement be approved for submission to the NHS Board on 23 June 2015, with a recommendation that the Chief Executive signs the Governance Statement;
4. the letter to the Health and Wellbeing Audit and Risk Committee be approved.

**Financial
Governance
Manager**

Action by

Not yet approved as a true record of the meeting

39. Draft Directors' Report and Annual Accounts 2014/15

Members discussed the draft accounts and the following points arose.

Mr Lee referred to the memorandum for in-year outturn, and noted that last year's accounts showed a £10m revenue underspend carry forward. He suggested that a sentence be added to this year's accounts to explain that this was yet to be reprovided.

**Assistant Head of
Financial
Services**

Mr Lee referred to the Statement of Changes in Taxpayers' Equity and asked about two items – impairment and the prior year adjustment.

Mr Ramsay advised that the impairment was in respect of the new hospitals and reflected the District Valuer's revaluation. In response to a question from Mr Sime, Mr Ramsay confirmed that the Board benefits from reduced capital charges as a result of the revaluation.

With regard to the prior year adjustment, Mr Ramsay explained that there had been an error in the NHS Scotland consolidated accounts concerning CNORIS, which was now corrected via NHS Boards' accounts. Ms Woolman commented that the additional liability was matched by funding.

Dr Reid asked whether the rates of employees' contribution to the pension scheme as shown in Note 23 were correct. Mr Sheils undertook to investigate and amend if appropriate.

**Assistant Head of
Financial
Services**

Mr White noted his thanks to Mr Ramsay and his team for the completion of the annual accounts.

Decided that

the Audit Committee recommended

1. the Statement of Accounts be adopted by the NHS Board;
2. the Chief Executive sign the Strategic Report, the Directors' Report, the Remuneration Report and the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board;
3. the Chairman and Director of Finance sign the Statement of Health Board Members' Responsibilities in respect of the Accounts;
4. the Chief Executive sign the Governance Statement;
5. the Chief Executive and Director of Finance sign the Balance Sheet.

**Financial
Governance
Manager**

40. Audit Scotland: Report to those charged with governance on the 2014-15 Audit

Ms Woolman presented the Audit Scotland report highlighting for members matters arising from the audit of the Statement of Accounts 2014/15.

Action by

Not yet approved as a true record of the meeting

She noted that she had taken on board Audit Committee members' views, and that her Annual Report was also being presented at this time.

In addition, she informed members that the draft Letter of Representation was attached for members to scrutinise and that the letter would be signed by the Chief Executive along with the annual accounts.

Ms Woolman advised that Audit Scotland's work was substantially complete, and that, subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, she anticipated being able to issue an unqualified auditor's report with no anticipated modifications to the report. She highlighted for members the unadjusted errors that had been identified during the course of the audit and confirmed that these were within materiality levels that had been agreed.

In response to a question from Mr Lee regarding Heritage Assets, Mr Ramsay advised that his team were going through the process to identify such assets, but that none had been identified.

Decided that

1. the report be noted;
2. approval be given, subject to the appropriate amendments being made, for the Chief Executive to sign the Letter of Representation.

**Financial
Governance
Manager**

41. Audit Scotland: Annual report on the 2014/15 Audit

Ms Woolman presented the Audit Scotland annual report which was a summary Audit Scotland's findings arising from the 2014/15 audit of NHSGGC.

The report was divided into sections which reflected the public sector audit model.

- Audit of the financial statements 2014/15
- Financial management and sustainability
- Governance and transparency
- Best value
- Appendices – significant audit risks, summary of local and national audit reports and NHSGGC's action plan

Financial statements

Ms Woolman noted that they had received the unaudited financial statements on schedule, and that the working papers were of a high quality and finance staff provided good support to the audit team which assisted the delivery of the audit to deadline. She confirmed that Audit Scotland anticipated giving an unqualified opinion on the Board's financial statements.

Action by

Not yet approved as a true record of the meeting

Financial management and sustainability

Ms Woolman highlighted that all 2014/15 financial targets had been achieved, and that Audit Scotland's conclusion was "that the board has strong financial management arrangements that support the review and scrutiny of financial performance."

Ms Woolman then outlined the key points that were considered would impact upon the Board's financial sustainability, and advised that she had concluded that "the board's financial position is sustainable currently although significant challenges lie ahead."

Governance and transparency

Again, Ms Woolman outlined the key points in this section of the report. She advised members that Audit Scotland had concluded that the Board's governance arrangements were operating effectively and that the Board is open and transparent.

With regard to internal control, Ms Woolman reported that there were no material weaknesses in the accounting and control systems and there was an effective internal audit function, satisfactory ICT arrangements and effective anti-fraud arrangements.

Best value

Ms Woolman highlighted the main points in this section, and that they were able to conclude that "the board has well-developed arrangements for securing Best Value and continuous improvement", and that "the board has well-developed arrangements for securing Best Value and continuous improvement."

Significant Audit Risks

Ms Woolman then took members through the risk areas identified and she advised members that the action plan to address those findings would be completed for the report to the NHS Board meeting on 23rd June.

Mr Finnie thanked Ms Woolman for her report, and Mr Lee commended Audit Scotland on producing such a full and comprehensive report.

Decided that

Audit Scotland's report be noted.

42. Financial Governance in Integrated Joint Boards

Mr White gave members an update on the work undertaken to date to develop financial governance and assurance processes and procedures for Integrated Joint Boards (IJBs) and their parent bodies.

There followed discussions around the financial structure within IJBs; Mr Finnie noted that he was as yet unclear on what the roles of Chief Finance Officers and Audit Committees were within IJBs. Mr Lee stated that he had been involved in

Action by

Not yet approved as a true record of the meeting

the recruitment process for a Chief Finance Officer and understood the role to have responsibility for financial plans and budgetary control in the delivery of health and social care in the IJB.

In response to question from Mr Lee and Cllr O'Donnell on the timescales for IJBs going live, Mr White said that he anticipated that all IJBs would "go live" in early 2016, but that the exact timing was a decision for the IJBs themselves. Mr Sime said that IJBs were not considered legal entities until the strategic plan was signed.

Dr Reid enquired about the treatment of virement. Mr White advised that this had not yet been decided. Dr Reid noted his opinion that he considered that the issue of virement could lead to Board/IJB Members having a conflict of interest.

Noted

43. Review of Bed Model

Mr Gillman informed members that this report was for members information. Whilst the report had not been available at the last meeting, the Internal Auditors had outlined the findings which had been discussed and agreed.

Noted

44. Date of Next Meeting

The next meeting will be held on Tuesday 22nd September at 9:30am.

The meeting concluded at 12:10pm.