A (M) 16/02 Minutes: 13 – 31

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, 31 May at 1:00pm

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PRESENT

Mr R Finnie (Chair)
Mr S Carr
Mr A Macleod
Cllr M O'Donnell
Dr R Reid
Mr D Sime

IN ATTENDANCE

Mr R Calderwood	Chief Executive
Mr M White	Director of Finance
Mr P Ramsay	Head of Financial Services
Mr M Gillman	Financial Governance Manager
Ms G Woolman	Audit Scotland
Ms H Russell	Audit Scotland
Ms J Bell	PwC
Ms M Kerr	PwC
Mr K Wilson	PwC
Dr J Armstrong	Medical Director (for minute 20 only)
Mr A Crawford	Head of Clinical Governance (for minute 20 only)
Ms G Jordan	Head of Clinical Effectiveness (for minute 20 only)

Action by

13. Welcome and apologies

Apologies were noted on behalf of Mr I Lee.

14. 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 Internal Auditors and External Auditors without officers of the Board being present.

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15. Declarations of Interest

There were no declarations of interest intimated

16. Minutes

The minutes of the meeting on 8 March 2016 (A(M)16/01) were approved as a correct record of the meeting.

17. Matters Arising and Rolling Action Lists

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

Cashier Appointment

Mr White reported that a member of the finance department had now been seconded in to work in this area, and that discussions were continuing with the Nurse Director and Glasgow HSCP on how best to support this position.

Internal Audit Standards External Quality Assessments

Mr Gillman advised that he expected a proposal from the Institute of Internal Auditors which would be in line with the budget allocated to this. This will be forwarded to members in advance of the next meeting.

Financial Governance Manager

Noted

18. Audit Committee Executive Group

In response to a question from Mr Finnie as to the effectiveness of the group, Mr White said that the group considers reports and whether updates, amendments etc are required, or if officials are required to attend the Audit Committee. Mr Wilson considered that the group was useful as preparation for the Audit Committee.

Noted

19. Internal Audit

Progress Report

Ms Kerr updated members on the internal activity in the period to May 2016, highlighting reports that had been started or completed during the period. She advised that the overall position for the year was almost complete.

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

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- **Pathology Transportation Process** - the overall objective of this review was to evaluate the design and control operation of the key controls in place over the transferring of specimen from GPs and acute sites to laboratories. Through the review of the specimen transport process they identified one medium risk and four low risk findings. The medium finding related to a lack of tracking of specimens - once specimens are packaged and placed at the pick-up point there is no tracking system to determine whether specimens have actually been collected and delivered to the lab. Although within theatres, QEUH have implemented manual process to record the number of specimen bags collected and the date collected, after that point there is no record of whether the specimens were delivered to the correct Lab.

  Ms Bell advised that management will consider whether an electronic tracking system could be implemented where the CHI number is scanned on each sample at each stage of the process. This would allow staff to identify where the sample is, whether it has been sent from the acute/primary care site and been received by the labs for processing. Where an electronic tracking system is not deemed to be feasible, manual controls will be implemented to ensure a record is maintained of key movements

  Mr Carr queried if the fact that there was a gap in the tracking process, should the risk not be high. Mr Wilson considered that the risk of a specimen going missing was small.

  Mr Finnie emphasised, that while the Audit Committee was noting medium and low risk findings, it was still important of ensure that all findings are properly addressed by management.

- **Records Management – use of electronic patient record –** Ms Bell advised members that this was a low risk report. PwC had evaluated the design and control operation of the key controls in place in relation to records management. They noted some areas of good practice in the process, specifically around the governance of the project with regular reporting to the EPR Implementation Group. Ms Bell noted that there was one medium risk finding in respect of the aims and objectives of the EPR system. Management had welcomed the findings raised and are taking action to complete these in-line with the agreed timescales.

- **Procurement in operational estates -** Ms Bell advised that the objective of the review was to evaluate the design and control operation of the key controls in operation over the Estates Procurement process, and that the report was rated medium risk, with two medium findings. PwC noted that progress had been made in the centralisation of Operational Estates processes since the previous review undertaken in 2014/15. They did, however, identify areas where improvements could be made. NHSGGC has established a set of SFIs which define the limits at which the quick quote tool should be utilised in order to obtain a competitive tender. There is no mandatory process in place to demonstrate that value for money is achieved on the large volume of orders placed below £10,000; and there is a lack of a maintenance plan and budgetary oversight by approvers making

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it difficult to prioritise spend and look ahead and determine the most appropriate use of funds. Spend is delegated to specific individuals, however, some of these individuals are not budget holders, do not have oversight of the estates budget and do not have any budgetary training. The lack of accountability of budget holders can increase the risk that unnecessary spend is incurred.

Management have agreed to take action: the threshold for the mandatory use of Quick Quote will be lowered to an appropriate, manageable level to ensure the Board can evidence value for money. The updated threshold and process details will be incorporated into the Estates Procurement Manual.

In response to question from Mr Carr about the lack of a maintenance plan, Mr Calderwood advised that whilst we do have some planned maintenance, expenditure on our estate was largely reactive. He stated that our funding was not sufficient to allow a comprehensive planned maintenance schedule. He would ask the Director of Facilities and Capital Planning to produce a report on maintenance.

Financial Governance Manager/Director of Facilities and Capital Planning

- **IT – Mobile technology –** Ms Kerr reported that the objective of this review was to evaluate the design and control operation of the key controls supporting IT mobile devices for Community Nurses, in particular: availability and usage; benefits realisation; security; and acceptable use. They identified a number of areas of good practice throughout the mobile device programme, but also highlighted three low risk findings. Management welcomed the recommendations made and will take steps to re-focus on the areas highlighted.

  Mr Finnie noted that had been involved in the pilot process at East Dunbartonshire CHP, and that it had been a very successful exercise.

- **Risk Management arrangements –** Ms Kerr highlighted that the aim of this review was to follow up the actions taken by NHSGGC to implement the recommendations made from the previous Internal Audit Report which identified this as a high risk area and to assess if the recommendations have been satisfactorily addressed. There have been a number of initiatives undertaken by NHSGGC to address the recommendations made in the previous report on Risk Management. The audit confirmed that the following recommendations from the March 2015 report had been implemented: reconstitution of the Risk Management Steering Group; development and approval of a revised RM Strategy; communication of a revised RM Policy and guidance; and a six monthly review of the Divisional risk registers undertaken by the Risk Management Steering Group.

  While these actions had addressed a number of the recommendations made in the 2015 report, they highlighted the following medium risk issues that are limiting the effectiveness of the actions taken to date: non-attendance at RMSG of key stakeholders from Acute services; and the implementation of the new RM process cannot be completed until there is a clear plan in place to fully roll out Datix in all NHSGGC areas, nor are there

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training or communication plans in place to support its implementation or that of the revised RM Strategy and Policy.

The Risk Management Steering Group has now taken action to address the findings on improving attendance at, and recording of steering group meetings. Plans have been put in place to roll out the Datix risk module, initially in pilot areas. This will include a detailed project plan which will encompass communication and training, to ensure the engagement of all staff. This will also result in the streamlining of the risk escalation process.

Mr Finnie welcomed the improvements made, but recognised that management need to "keep the foot on the pedal".

- **Delayed Discharge: Use of additional funding –** this review examined the controls in place within the Health Care Social Partnerships (HSCP) in the NHSGGC area and their use of the additional funding allocated as part the Scottish Government's initiative to reduce the number of bed days lost to delayed discharges. The review focussed on funding, planning and monitoring, and was rated as low risk.

  Ms Kerr advised that there had been a significant reduction in the bed days lost to due delayed discharges within NHSGGC in 2015/16. Bed days consumed annually due to delayed discharge in March 2015 was 157 days, and by January 2016 this level had reduced to 97 days. The Health Board was also achieving the targeted 50% reduction bed days lost for delayed discharges for older persons.

- **Health & Social Care Partnerships: Governance Arrangements –** Ms Kerr noted that objective of this review was to evaluate the governance arrangements in place across the Integration Joint Boards (IJB) in relation to: financial assurance; risk management; internal audit; external audit; and audit committee arrangements.

  Ms Kerr highlighted that the review identified four low risk findings in respect of arrangements in place for finance officers, audit committees not yet operational, approval of risk management strategies and internal audit planning arrangements.

  Since the audit was completed, substantive appointments had been made to the remaining two Chief Finance Officer posts and all will have taken up post by early May 2016. The Audit Committees of the 3 partnerships mentioned above will meet early in 2016/17 when these three partnerships "go live". Internal audit plans are currently being prepared for 2016/17 which is the first full year of integration and these will be approved by the HSCP Audit Committees by 30 June 2016.

- **Acute Services: Diagnostic – Data Quality and Analysis -** Ms Kerr gave members an overview of this low risk report. The review focused the design and operation of key controls in the Management Information processes: data quality and integrity in the extraction processes; and controls around the analysis and interpretation of data. Ms Kerr reported that PwC had found

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that the controls in place around data extraction, analysis and reporting are effective in minimising the risk of errors in the process. The knowledge of the staff involved in the process is very good and the processes involved are kept as simple as possible. However, improvements can still be made by standardising and automating reporting where possible.

Noted

20. Internal Audit report - Clinical Governance

Mr Finnie welcomed Dr Armstrong, Mr Crawford and Ms Jordan to the meeting at this point.

Ms Kerr advised that this review had been carried out at the request of the Medical Director, and that it had been rated as high risk; whilst there were no high risk findings, there were with six medium findings.

PwC reviewed the design and operations of key controls in Clinical Governance from the internal audit report finalised in May 2015 and assessment of management's progress against agreed actions. To make this assessment, they focussed on arrangements across a sample of key areas, and evaluated the current design and current operations of key controls in relation to Clinical Governance since the restructure. They reviewed the processes in place for the following within Acute Services: South Sector and Regional Directorate (Forensic Services), and the new arrangements for Health and Social Care Partnerships (HSCPs) for Glasgow City and East Renfrewshire in respect of: Clinical Governance Strategy and Framework; Roles, Responsibilities and Accountability; Clinical Governance Forums; Reporting to the Board and Committee(s); and, Risk Management.

Ms Kerr advised that PwC had found that progress against Phase 1 of each action was near completion. They also noted continuance of good practice during the review of clinical governance arrangements within Acute Services Division.

There were four medium rated actions in progress which will remain open:

- Procedural / guidance document – Phase 1: a draft Clinical Governance Policy was issued in December 2015, however, the policy had not yet been and Phase 2 of the action remains open;
- Divisional level clinical governance groups – while PwC were able to evidence the appropriate incorporation of Child Protection and Mental Health as standing agenda items at Acute Clinical Governance forums e.g. Board Clinical Governance Forum, they noted absence of the methodology of knowledge sharing between Acute, Mental Health and HSCPs.
- Child Protection reporting - Child Protection is a standing agenda item within the Clinical Governance Toolkit with reporting of Child Protection issues via the Nurse Director to the Board Clinical Governance Forum.

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At the time of reporting, the framework for Child Protection clinical governance was documented and mechanism of communication between Acute Services and HSCPs in place. However, committee remits were in the progress of being updated to reflect these changes.

- Vale of Leven enquiry recommendations – Phase 1: while progress had been made to set Infection Prevention & Control reporting standards within the CG Toolkit with adoption across the Acute Clinical Governance Framework, there is yet to have standards set within wider areas such as Regional Services Directorate. Phase 2: the process for knowledge sharing between Acute Services and HSCPs has yet to be determined.

Ms Kerr advised also that they had identified two new medium risk findings:

- Clinical Risk Management – While they noted that Acute, Sectors, Directorates and HSCP have corporate and strategic risk registers, there was no framework documented for the identification, escalation and monitoring of clinical risks or risks associated with clinical governance arrangements across the Board. They also noted uncertainty regarding the escalation of clinical risks from Beatson West of Scotland Cancer Centre to the Acute Services clinical governance committees.
- HSCP Clinical Governance Framework – while they noted progress on the development of clinical governance frameworks of the HSCPs sampled, there was absence of assurance to the Board of the steps to be taken by the HSCPs to meet the statutory requirement to be operational by 1 April 2016.

The increase in the risk rating from medium to high reflected a variety of influences. In respect of the prior year recommendations reported, they have seen evidence that progress is being made to implement improvements, but in each case the actions needed have taken longer to progress than was originally planned and therefore the risks identified remain open. In addition, since our 2015 report was completed, NHSGGC has undergone significant changes in acute services relating to the new Queen Elizabeth University Hospital and Royal Hospital for Children and all the associated moves across Glasgow South. Six new Health and Social Care Partnerships have also been established, each of which have a key role in implementing the effectiveness of NHSGGC's clinical governance arrangements. These changes put greater emphasis of the effectiveness of the clinical governance control arrangements in place. Our current year review takes account of this increased complexity for NHSGGC and has resulted in an overall higher risk, driven by new medium risk findings in addition to the prior year risks which have not yet been completed.

Dr Armstrong advised members that she had invited PwC to carry out this work as part of a review of clinical governance arrangements, which was planned in two steps. The initial review preceded the major organisational changes occurring during 2015. This second review was planned for a time when we anticipated conclusion of the changes and good progress in bedding down organisational arrangements. The timeline also expected progress externally, particularly from Healthcare Improvement Scotland, in describing national

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scrutiny processes. Some of the expected progress, internally and externally, has not occurred at the level understood in our planning stage. This has limited some progress and leaves some uncertainties to be resolved more fully. As the overall context in which clinical governance functions becomes clearer management anticipated the progress made during this year would lead to an overall reduction in the risk rating.

Clinical Risk Management - In general the clinical risk management arrangements are robust and in line with policy requirements. The opportunity to ensure more effective translation of knowledge of the local clinical risk profile to the risk register mechanisms and to the corporate perspective is confirmation of an existing strategic aim. Further consolidation is required most notably engagement with the Risk Management Steering Group on the benefits of more formal integration of clinical risk knowledge to the broader risk register process.

HSCP Clinical Governance Arrangements - The Clinical Governance Policy has been updated and is due to be published in June. This contains a clear described framework of clinical governance accountabilities to support Chief Officers provide assurance to IJBs and to the Medical Director, as the designated Executive lead for clinical governance. Glasgow City HSCP has already submitted and received endorsement of its clinical governance arrangements via the Board Clinical Governance Forum. Dr Armstrong advised that it was expected that a similar review process for the remaining HSCPs would be completed.

Clinical Governance Framework - The Clinical Governance Support Unit (CGSU) has previously targeted support to the major clinical governance forums in services. This was then extended to mapping of broader arrangements and consolidation of the supporting toolkit. This second stage work is due to be presented in a review paper at the June meeting. A new system of clinical governance review meetings in Acute Services has been instituted to ensure more direct corporate oversight of local clinical governance arrangements.

Mr Sime asked whether the auditors were comfortable that we would be able to mitigate the findings. Ms Kerr responded saying that if the agreed action plans were implemented, then the risks would be mitigated. Mr Crawford advised that a number of actions had been progressed since the report was prepared, and that these had been reported to the Clinical Governance Forum.

Mr Finnie requested that there should be attendance by Clinical Governance staff at future Audit Committee meetings to update on progress in carrying out agreed actions, and that it would be useful for the Audit Committee to receive the report that had gone to the Clinical Governance Forum.

Financial Governance Manager/Medical Director

Ms Woolman welcomed the report and explanations from the Medical Director. She enquired if the report would be shared with HSCPs. Mr White replied he will be happy to share with them.

Mr Finnie thanked Dr Armstrong, Mr Crawford and Ms Jordan for helpful their input to the meeting.

Noted

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21. Internal Audit Annual Report

Mr Wilson presented the Annual Internal Audit Report for 2015/16.

He 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:

"**Generally satisfactory with some improvements required**. Governance, risk management and control in relation to business critical areas is generally satisfactory. However, there are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Some improvements are required in those areas to enhance the adequacy and effectiveness of the framework of governance risk management and control."

Mr Wilson highlighted they key factors which contributed to their opinion, and in particular the Clinical Governance review referred to above, and also the high risk rating for the Business Continuity review from earlier in the year. It was considered that these should be included in the Governance Statement.

Financial Governance Manager

Mr Finnie noted that the report would assist the Audit Committee in drafting its assurance statement for the year.

Noted

22. Annual Risk Assessment and Internal Audit Plan

Ms Kerr advised the Committee that following the previous meeting, the plan had been amended to better describe the role of HSCPs within NHSGGC.

Mr Carr enquired whether the full NHS Board had been involved in inputting to the plan. Ms Kerr replied that it had been limited to Audit Committee members as well as all directors and chief officers.

Mr Finnie suggested that consideration might be given to involving the Board in future.

Decided

That the Internal Audit Plan be approved

23. Audit Scotland - External Audit Progress Report

Ms Russell referred members to Audit Scotland's Progress report covering the work carried out in the period to May 2016 as part of the 2015/16 Audit Plan, highlighting the key points in respect of their work.

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She described for members the work of Audit Scotland in relation to their governance work (including the Property, plant and equipment and Agency staff, nurse bank and sickness absence reports which follow this item), Performance Audit and the programme of national studies.

Noted

24. Audit Scotland – Accounting for Property, Plant and Equipment

Ms Russell described the background to this piece of work.

Audit Scotland recognised that 2015/16 was a significant year for NHSGGC with the opening of the Queen Elizabeth University Hospital (QEUH) and the Royal Hospital for Children (RHC). This resulted in the transfer of services from and subsequent closure of the Western and Victoria Infirmaries, Mansionhouse Unit, Royal Hospital for Sick Children at Yorkhill and a partial transfer from the Southern General Hospital site. Their Audit Plan referred to the risk that, due to this transfer of services and the subsequent transfer of assets, the financial statements would not reflect the ongoing use of the assets. They, therefore, undertook a review of the system for accounting for property, plant and equipment (PPE) which included following up issues raised in their 2014/15 report, and also reviewed the processes in place for managing the transfer of equipment from the demitting sites and considered how the fixed asset register was updated to reflect these transfers.

The review of NHSGGC's system of accounting for PPE established that no significant control weaknesses were identified. They did, however, identify a number of areas for improvement which would strengthen the control environment.

Mr White responded to the findings and considered that overall the Fixed Asset Register was correct. The scale of movement of assets was, however, unprecedented, and that lessons had been learned for any future moves.

Mr Carr asked if we knew what our total assets were; Mr Ramsay answered by saying the total was correct, but the locations recorded were not necessarily correct.

Dr Reid raised a question regarding donating surplus assets to Malawi. Mr Calderwood confirmed that assets which are no longer clinically relevant can be donated to charity.

Noted

25. Audit Scotland – Review of Agency Staff, Nurse Bank Staff and Sickness Absence

Ms Woolman described the review Audit Scotland carried out of the Board's arrangements for managing Agency Staff, Nurse Bank Staff and Sickness Absence. The Board faces a risk in that continued reliance on agency staff and

nurse bank staff may have a significant impact on the board's plans to achieve

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sustainable services and may not represent good value for money. As part of the 2015/16 audit, Audit Scotland undertook a targeted review of the controls in place relating to agency costs, nurse bank costs and the related issue of high sickness absence levels in the board's ASD.

The results of the audit established that, contrary to board policy, medical agency locums are being used to provide long term cover. This did not represent value for money and places a strain on the board's resources. The board in common with the NHS in Scotland generally, faces challenges recruiting medical staff in certain specialties and locations. In addition, the invoice checking procedures for agency payments are not sufficiently robust and rely largely on the assumption that correct information is provided from suppliers. As reported in 2014/15, there is no direct confirmation that amounts being charged by third parties agree to the approved rates. Audit Scotland is aware of some mitigating controls: outliers and unusual transactions are subject to review and the budgetary control process highlights any concerns. They recommended that NHSGGC should review its procedures and controls for booking medical agency locums together with the invoice checking process.

In addition, increased nurse bank and nurse agency costs have been incurred as a consequence of rising sickness absence and increased activity. The audit identified that nurse bank and agency staff were being used to cover long term sickness which is contrary to board policy. Audit Scotland identified scope for improving the reporting of sickness absence in order to provide management with better information to monitor sickness rates and take effective action.

It was noted that management had prepared action plans, including responsibilities and timescales in response to the identified risks.

Audit Scotland recommended that the matters raised in this report should be considered as part of the Accountable Officer's assessment of the review and adequacy of the financial controls.

Mr Finnie acknowledged that the NHS Board is aware of the difficulties in staffing levels, but that patient safety dictated the need to maintain staff levels.

Dr Reid commented that, as a result of Modernising Medical Careers, there were not enough junior doctors.

Mr Calderwood considered that the report served to highlight the difficulties that NHSGGC faces and the historical reasons for them.

Noted

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26. Audit Scotland – Review of Internal Controls and Governance Arrangements

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.

The report concluded that, subject to some matters raised, particularly in relation to payroll overpayments and overtime payments, they were 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, and in the reports on Accounting for Property, Plant and Equipment and the Review of Agency Staff, Nurse Bank Staff and Sickness Absence, 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

27. Audit Scotland – Follow-up of prior year ICT reports

Ms Russell highlighted that Audit Scotland followed up issues reported to management in their ICT Follow-up report issued in August 2015 to ensure that progress had been made in implementing the agreed actions. She noted that the agreed management actions for four of the six risks identified were now complete and actions are ongoing for the remaining two risks.

Noted

28. Risk Management

Mr Gillman presented a report which summarised the current level of risk faced by NHSGGC, including the Corporate Risk Register, which had been considered by the Risk Management Steering Group at its meeting on 5 April.

The total number of risks on the CRR had reduced from twenty-nine to twenty-eight register, and included one new risk which related to the provision of safe, equitable and efficient nurse staffing levels.

Noted

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29. Annual Fraud Report

Mr Gillman presented the Annual Fraud Report for 2015/16. 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 2015/16. 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. The organisation, however, does remain vigilant to the threat of fraud.

Noted

30. Losses and compensations 2015/16

Mr Gillman presented a report for members to note the details of losses incurred and compensation payments made during 2015/16. 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 the level of losses and special payments was broadly similar to the previous year, down from £11.490m to £11.331m. Excluding compensation payments, which are largely recoverable from the Clinical Negligence and Other Risk Indemnity Scheme other losses reduced from £0.683m last year to £0.571m in 2015/16.

Noted

31. Date of Next Meeting

The next meeting will be held on Tuesday 21st June at 9:30am.

The meeting concluded at 5:05pm.