

A (M) 16/03 Minutes: 32 - 42

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, 21 June 2016 at 9:30am**

PRESENT

Mr R Finnie (Chair)
Mr I Lee
Mr A Macleod
Dr R Reid (until minute 39)
Cllr M O'Donnell
Mr D Sime

IN ATTENDANCE

Mr J Brown	NHS Board Chair
Mr R Calderwood	Chief Executive
Mr M White	Director of Finance
Mr P Ramsay	Assistant Director of Finance
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
Ms E Boyd	Audit Scotland
Mr M Gill	BDO (until minute 38)

Action by

34. Welcome and apologies

Apologies were intimated on behalf of Mr S Carr.

Mr Finnie welcomed Mr Martin Gill from the Board's Endowment Funds auditor, BDO and Ms Elaine Boyd from Audit Scotland who would be taking over from Ms Russell as senior manager on the NHSGGC audit.

By way of introduction to the meeting, Mr Finnie stated that the preparation of the Board's and the Endowment Funds' financial statements was very complex, and he thanked all those involved from both NHSGGC and Audit Scotland for their efforts in bringing the process to conclusion. He said that the objective of

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the Audit Committee was to scrutinise the accounts in order to give assurance to the NHS Board and the Endowment Funds Trustees that the accounts can be signed off at their meetings on 28 June. Mr Finnie also said that all potential matters in the accounts were on the table, but that the committee shouldn't debate minor matters.

35. Declarations of Interest

There were no declarations of interest intimated.

36. Minutes

The minutes of the meeting on 31 May 2016 (A(M)16/02) were approved as a correct record of the meeting.

37. Matters Arising

Mr Gillman advised that the proposal from the Institute of Internal Auditors to carry out the External Quality Assessment of the Board's internal service had now been received, and had been circulated to committee members. Mr Gillman asked for the approval of the committee to commission the work.

Decided that

the proposal be accepted

38. Endowment Fund Accounts

Mr Finnie guided members through the Endowment Fund Accounts. He suggested a change in wording to the 4th paragraph on page 5 to read "The Trustees who served in the reporting period and up to the date of approval of these accounts". There were also some minor presentational matters identified which would be amended.

Ms Woolman asked for assurance that if the forthcoming referendum on Europe was to result in a material post balance sheet event, then that would be reflected in the accounts. Mr Lee responded that he didn't consider that any effect on markets would be long term, but would be more of a shock effect, and that a post balance sheet event note wouldn't be necessary. It was agreed to consider if the need arose, however.

Mr Gill then presented the BDO report to the Trustees which detailed the key findings arising from the audit for the attention of those charged with governance. He advised that they had achieved their audit objectives and that, subject to the successful resolution of outstanding matters (which are largely procedural) they anticipated issuing an unmodified opinion on the charity's financial statements for the year ended 31 March 2016.

Mr Gill continued summarise for members the key matters that arose in the course of the audit and advised that they had satisfactorily tested significant risk areas and did not identify any significant deficiencies in internal control during the audit process.

**Assistant Head of
Financial
Services**

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Mr Gill highlighted the final section of the BDO report – Sector Developments. Dr Reid said that he welcomed this information and would discuss at the next trustees' meeting.

Decided that

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

39. Review of System of Internal Control 2015-16

Mr Finnie took members through the 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 three matters should be disclosed in the Chief Executive's Governance Statement and the Audit Committee's assurance statement – internal audit findings on clinical governance and business continuity, and external audit's findings from their review of agency staff, nurse bank and sickness absence. Ms Russell referred to findings identified in relation to accounting for property, and queried whether this should also be reported in the Governance Statement. Mr White agreed to consider this when finalising the annual report.

**Director of
Finance**

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 28 June 2016;

**Financial
Governance
Manager**

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3. subject to resolution of the matter referred to above, the Governance Statement be approved for submission to the NHS Board on 28 June 2016, with a recommendation that the Chief Executive signs the Accountability Report in which is contained the Governance Statement;
4. subject to resolution of the matter referred to above, the letter to the Health and Wellbeing Audit and Risk Committee be approved.

**Financial
Governance
Manager**

40. Draft Annual Report and Consolidated Accounts 2015-16

Members discussed the draft accounts. Other than the matter referred to above regarding the Governance Statement, no significant issues were raised by members. There were, however, some presentational matters which required to be addressed by Mr Ramsay and Mr Sheils, and it was agreed that these changes should be made before the final draft to be presented to the NHS Board.

**Assistant Director
of Finance**

Decided that

the Audit Committee recommended

1. subject to the agreed changes and finalisation of the Governance Statement, the Annual report and Consolidated Accounts be adopted by the NHS Board;
2. the Chief Executive sign the Performance Report and the Accountability Report;
3. the Chief Executive and Director of Finance sign the Balance Sheet; and
4. that the report and accounts be submitted to the Scottish Government Health Directorates.

**Financial
Governance
Manager**

41. Audit Scotland: 2015/16 Annual Audit Report (ISA260)

Ms Woolman presented the ISA260 report which highlighting for members matters arising from the 2015-16 audit of NHSGGC's annual accounts, and advised that her Annual Audit 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.

Noted

42. Audit Scotland: 2015/16 Annual Audit Report

Ms Woolman presented Audit Scotland's Annual Audit Report, which summarised their findings arising from the 2015/16 audit of NHS Greater Glasgow and Clyde. She outlined Audit Scotland's responsibility, as the external auditor of NHSGGC, to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.

Ms Woolman began by recognising that NHSGGC is a very complex organisation, with over £3bn of expenditure and some £2.5bn of assets. She described, in some detail, the key points that were contained in the report in each of the following sections:

- Audit of financial statements
- Financial management and sustainability
- Governance and transparency
- Best value
- Significant audit risks

Audit of financial statements

Ms Woolman noted that they had received the unaudited financial statements on schedule, and that the working papers were of a good standard and finance staff provided good support to the audit team which assisted the delivery of the audit to deadline. She did, however, express disappointment that effective arrangements had not been in place for the consolidation of IJBs. Ms Woolman also highlighted the misstatements they had found in the accounts, which had subsequently been adjusted, and also the significant findings from the audit.

Financial management and sustainability

Ms Woolman concluded that "the Board has sound financial management arrangements that support the review and scrutiny of financial performance and the achievement of financial targets".

Ms Woolman then outlined the key points that she considered would impact upon the Board's financial sustainability, and advised members that she had concluded that "given the Board's own assessment of the risks it faces in delivering the five year financial plan, financial sustainability under the current funding model is under extreme pressure and more challenging than in previous years."

Governance and transparency

Ms Woolman then outlined the key points in this section of the report, and described their work in the following areas – internal audit; ICT audit; arrangements for prevention of fraud; National Fraud Initiative; arrangements for maintaining standards of conduct and prevention of corruption; transparency; freedom of information; eESS project; Vale of Leven Inquiry; review of Beatson;

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healthcare associated infection; and integration of health and social care.

She advised members that Audit Scotland had concluded that the Board's governance arrangements were operating effectively.

Best value

Ms Woolman highlighted the main points in this section, and that they were able to conclude that "the Board had a well established performance management framework in place during 2015-16, supported by good performance monitoring."

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 28th June.

Mr Finnie thanked Ms Woolman for her report, which he noted reflected the complexities of our organisation, and expressed his gratitude that it was available for the Audit Committee. He also recognised that there were still a number of important issues to be resolved before the NHS Board meeting.

There followed a brief discussion amongst members around the IJBs reserves policies.

**Assistant Director
of Finance/Audit
Scotland**

Noted

43. Follow-up review Business continuity arrangements

Ms Russell gave members an update on the work undertaken to ensure that progress had been made in implementing the agreed actions from Audit Scotland's November 2014 report on the business continuity arrangements for a range of finance systems.

Two of the issues raised in the report have been taken forward by internal audit and were therefore not considered in this report. They noted that the agreed management actions for the remaining five risks had not been progressed at the time of this follow-up. Following discussion with management, revised actions and timescales to reduce the board's risk exposure on three of the risks have been agreed. In relation to the remaining two matters, management have advised that they do not intend to take any further action. They consider that there are mitigating controls in place to address the risks. However, as a consequence, in respect of the systems reviewed, they will not comply with the board's Business Continuity Management (BCM) strategy.

Mr Finnie noted that assurances would be required from management that these matters had been addressed.

Noted

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44. Date of Next Meeting

The next meeting will be held on Tuesday 27th September 2016 at 9:30am.

The meeting concluded at 11:40am.