

A (M) 16/04 Minutes: 45 - 60

## 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, 27 September 2016 at 9:30am**

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### **PRESENT**

Mr A Macleod (Chair)  
Mr S Carr  
Mr J Matthews  
Ms A Monaghan  
Dr R Reid (until minute 54)  
Mr D Sime

### **IN ATTENDANCE**

Mr J Brown	NHS Board Chair
Mrs D McErlean	NHS Board Employee Director elect
Mr M White	Director of Finance
Mr J Hamilton	Head of Board Administration
Mr M Gillman	Financial Governance Manager
Ms S Johnston	Head of Civil Contingencies Planning (for minute 49)
Mr K Wilson	PwC
Ms M McGuire	PwC
Mr A Barrie	PwC
Ms E Boyd	Audit Scotland
Ms D McPherson	NHS Western Isles
Mr I Burgess	NHS Western Isles

### **Action by**

#### **45. Welcome and apologies**

Apologies were intimated on behalf of Mr R Finnie, Ms J Forbes, Dr D Lyons and Cllr M O'Donnell.

Mr Macleod welcomed the new members of the committee, Mr Matthews and Ms Monaghan, to their first meeting and also Ms McPherson and Mr Burgess from the NHS Western Isles Audit Committee, who were present to observe the NHSGGC Audit Committee.

# *Not yet approved as a true record of the meeting*

Action by

## **46. Declarations of Interest**

There were no declarations of interest intimated.

## **47. Minutes**

The minutes of the meeting on 21 June 2016 (A(M)16/03) were approved as a correct record of the meeting.

## **48. Matters Arising**

Mr Gillman advised that the external quality assessment of the Board's internal service had now taken place and was included on the agenda for the meeting.

There was discussion amongst members regarding the appointment of a Head Cashier. Mr Brown expressed concern about the length of time that the process was taking. Mr White advised that issue of resourcing the position was being investigated. Mr Macleod suggested that Mr White looked at accelerating the process, and Mr Sime requested that Mr White report back to the next meeting.

Mr Gillman informed members that actions in respect of the Clinical Governance follow-up report were currently being undertaken, and that an update would be provided at the next meeting.

**Director of  
Finance  
Financial  
Governance  
Manager**

**Noted**

## **49. Business Continuity Update**

Ms Johnston presented a paper to the committee to update it on the progress made in completing the management actions arising from the previous year's internal audit review. She also advised members that an investigation was underway into the recent water contamination problem at the RAH, and that a report would be available for the next Audit Committee meeting.

In response to a question from Mr Macleod about how business continuity plans are managed, Ms Johnston said that while all areas have plans in place, she was working towards strengthening interdependencies between areas.

Mr Brown asked about the length of time it had taken for the debrief report to be written following the testing of the Pharmacy business continuity plans. Ms Johnston answered that a report had been drafted, but she was still awaiting the return of some debrief forms before the report could be finalised.

Mr Macleod enquired about the role of internal audit in relation to business continuity planning. Mr Wilson advised that PwC were planning to carry out a follow-up review in March 2017.

Dr Reid enquired as to whether all plans are stored electronically; Ms Johnston replied that the Civil Contingencies Unit had created a database which alerted them as to when business continuity plans have to be reviewed and updated.

Mr Macleod requested that business continuity planning should be kept on the committee's agenda so that it can be assured that work continues to progress on this matter.

**Head of Civil  
Contingencies  
Planning**

**Financial  
Governance  
Manager**

**Noted**

**50. Note of the Audit Committee Executive Group meeting on 31 August 2016**

Mr Macleod noted that the group had invited him to attend future meetings. He considered that this would be helpful for him to gain an insight into the workings of the group, and would attend future meetings.

**Noted**

**51. Audit Committee Remit**

Mr Gillman advised members that the NHS Board had agreed a number of changes to the Audit Committee, and that a revised remit had been prepared to reflect those changes. He summarised the main changes – the change of name to the Audit and Risk Committee, to reflect the increased role around risk; the increase in membership to ten members; and the increase in the quorum to six members.

Following agreement on some minor wording changes, Dr Reid stated, and Mr Sime agreed, that he considered the increase in the number of members to form a quorum was excessive. Following discussion on the rationale behind the increase, Mr Carr suggested that the number of members required to form a quorum be reduced to five. This was agreed and Mr Gillman was asked to amend the remit and circulate amongst members.

**Financial  
Governance  
Manager**

**Decided**

to approve the remit, subject to the amendments as discussed

**52. Risk Management**

The minutes of the Risk Management Steering Group (RMSG) and the Corporate Risk Register (CRR) were put before the committee. Mr Macleod expressed some concerns about the way in which the CRR was presented. There followed a discussion amongst members around the Board's risk management processes.

Mr Brown suggested that the organisation look at the design and resourcing of risk management, whilst Mr Carr noted that he was less concerned about the system, but more about the culture. Mr Wilson said that he understood the concerns – he said that ours was a “traditional “risk register, whilst risk management has moved on over the years, and also that some other boards had full time risk managers.

Mr Macleod proposed that Mr White should prepare a paper setting out options for moving the risk management agenda forward.

**Director of  
Finance**

**Noted**

**53. Internal Audit**

Ms Kerr outlined the activity report which summarised progress in the period to 27 September 2016 against the internal audit plan. She highlighted that two reviews – a review of the Financial Planning Process (from the 2016/16 Audit Plan) and the Property Transaction Monitoring Report - had been completed during the period and were now reported to the Audit Committee.

**Financial Planning Process – medium risk**

Ms Kerr advised members that scope of this review was to assess the financial efficiency planning process for 2016/17 and provide assurance over the operation of controls in place.

PwC's findings identified and the agreed actions in this report seek to strengthen NHSGGC's ability and flexibility to plan for the future uncertain financial environment.

- Timing and outlook of the financial planning cycle: The timing of the financial planning process should commence earlier in the financial year and should not be delayed for finalisation of the Scottish Government spending plans, nor be limited to the one year required for LDP purposes.
- Integration of capital planning: Only revenue budgets are included in the financial planning process and communication to the Board; this may limit the effectiveness of savings schemes.
- Whole system programme approach: There is a lack of evidence of the executive director team regularly working together as a whole to explore and develop savings opportunities. The approach results in a silo working environment which does not support the planning principle of an integrated whole system approach.
- Risk management of savings schemes: The RAG (red, amber, green) rating of the savings schemes identified does support the scrutiny and reliability of the proposed savings schemes. However it is a manual process that sits outside the NHSGGC risk management framework. This alternative risk assessment dilutes management's intention of embedding a common approach to risk management that supports the prioritisation and resourcing needs of NHSGGC
- Financial scrutiny: The current NHSGGC committee structures do not facilitate oversight of all financial responsibilities of the Board. Transparency at Board level is required of the progress being made to deliver the plan and to support strategic decision making that may be required.

Ms Kerr noted that the overall medium risk rating of this review reflects the risks associated with the financial planning process itself, rather than the overarching financial challenge that the Board faces.

# ***Not yet approved as a true record of the meeting***

Action by

Mr Macleod suggested that the report on the Financial Planning Process should also be presented to the Board's new Finance and Planning Committee.

**Head of Board  
Administration**

## **Audit Plan 2016/17**

Ms Kerr informed members that it was proposed to remove 20 days from the Audit Plan allocated to Banking & Treasury as it was not considered to provide the appropriate level of value to the Audit Committee. This is because it is an area where the external auditors will conduct their own testing, and any work undertaken by PwC would be likely to duplicate the work done by Audit Scotland.

The committee discussed how the freed up days should be reallocated, with suggestions covering cyber security and information governance. Mr Brown suggested that it would be useful to redeploy that resource to a project which would improve the Board's response to information governance matters. Mr White would revert to the committee with the proposal for using the resource.

**Director of  
Finance**

## **Property Transaction Monitoring – low risk**

Ms Kerr outlined the report for members; the objective of the review was to ensure that property transactions undertaken NHSGGC during the year to March 2016 complied with the required disclosure and classification requirements, as contained in the NHS Property Transactions Handbook. Their review identified no findings to report. Two transactions sampled were graded 'A' indicating that they appear to have been properly conducted.

Mr White informed members that he had asked PwC to undertake a preliminary examination of transactions as the take place during 2016/17.

Mr Gillman advised that the report would be submitted, as required, to SGHD.

**Financial  
Governance  
Manager**

## **Noted**

### **54. Internal Audit External Quality Assessment**

Mr White recapped the reasons that this piece of work was undertaken – the Public Sector Internal Audit Standards require an independent external assessment of internal audit functions once every five years, in order to provide assurance to Audit Committees that the internal audit function is compliant with the Standards. NHSGGC engaged the Chartered Institute of Internal Auditors (CIIA) to carry out the assessment, which included interviewing committee members. Mr White advised that the report concluded that the internal audit service provided by PwC conforms to 49 of 52 applicable International Standards for the Professional Practice of Internal Auditing in their NHSGGC reports.

This conformance level was a notable achievement given the breadth of the standards and the extent of change in the organisation. It means that PwC's service is within the upper quartile of reviews that the CIIA have conducted and is "one of the best internal audit functions we have seen (to place this in perspective we have conducted approximately 100 EQA reviews since January 2011)."

Mr White pointed out that the report also had some suggested "opportunities to consider" which could further strengthen the internal audit service, which he would be taking forward with PwC.

**Director of  
Finance**

**Noted**

Dr Reid left the meeting at this point; the meeting was then inquorate in respect of taking decisions.

**55. Information Commissioner's Office – Data protection audit**

Mr White highlighted the main points arising from the recent data protection audit carried out by the Information Commissioner's Office.

He advised that the report concluded that "there is a limited level of assurance that processes and procedures are in place and delivering data protection compliance. The audit has identified considerable scope for improvement in existing arrangements to reduce the risk of non compliance with the DPA."

The areas for improvement identified were – no formal information asset register; no corporate oversight that training is completed; movers and leavers procedures require to be strengthened; and a lack of clear guidance and training on exemptions to subject access.

Mr White advised members that he has begun the process to address the above points, and that an action plan will be brought to the next Audit Committee meeting.

**Director of  
Finance**

**Noted**

**56. Fraud Report**

Mr Gillman highlighted for members the report summarising progress in the on-going investigations of fraud as at September 2016. One new case of suspected fraud had been added to the fraud register during the period and eight cases closed - there were currently fourteen open cases. The detail behind these cases was shown in Appendix 1 – List of Ongoing Fraud Cases.

He also outlined the results of the National Fraud Initiative insofar as they related to NHSGGC – no frauds resulting in monetary loss against NHSGGC were identified. One case study was highlighted in the NFI report, that of an NHSGGC employee whose visa had expired. Mr Macleod considered that there was some action for HR to follow-up on.

**Financial  
Governance  
Manager**

## ***Not yet approved as a true record of the meeting***

Mr Gillman advised that the latest CFS quarterly report was available for members to review within the supplementary pack of papers. An extract from the CFS Annual Report was presented which gave a flavour of the activities of CFS over the past year (the full annual report was contained in the supplementary papers).

**Action by**

### **Noted**

#### **57. Whistleblowing Monitoring Report**

Mr Hamilton began his presentation on whistleblowing by highlighting, in particular for new members of the committee, the key points of the Board's whistleblowing arrangements, and that the Audit Committee is responsible for monitoring the handling of such cases. He then presented the monitoring report for 2015/16 on the handling of whistleblowing cases.

Mr Hamilton highlighted key developments during the year, including the proposed introduction by the Scottish Government of an Independent National Whistleblowing Officer.

Members discussed the report. Mr Sime gave his opinion that the Board's whistleblowing policy was exemplary. Mr Hamilton responded by complimenting Mr Sime's contribution to the policy.

### **Noted**

#### **58. Extension of Internal Audit Contract**

Mr Gillman advised members that the current internal contract was approaching its end, but that the Board had the option to extend for a further year.

Mr Macleod said that as the meeting was inquorate it was not possible for a decision to be made. He requested that Mr Gillman clarify the approval process and get approval from members at the next meeting.

**Financial  
Governance  
Manager**

#### **59. Mr Donald Sime**

Mr Macleod advised members that, after eleven years' service as a Board member, Mr Donald Sime was retiring from the NHS on 30<sup>th</sup> September 2016. This was not only his final Audit Committee meeting, but his final meeting of any Board committee. He thanked Mr Sime for his valuable contributions to meetings over the years.

***Not yet approved as a true record of the meeting***

**60. Date of Next Meeting**

The next meeting will be held on Tuesday 13th December 2016 at 9:30am.

The meeting concluded at 12:30pm.