

A (M) 17/02 Minutes: 17 - 30

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, 6 June 2017 at 1:40pm**

PRESENT

Mr A Macleod (Chair)
Mr S Carr
Dr D Lyons
Mr J Matthews

IN ATTENDANCE

Ms J Grant	Chief Executive
Mr M White	Director of Finance
Dr L de Caestecker	Director of Public Health (until minute 21)
Mr D Loudon	Director of Property, Procurement and Facilities Management (until minute 25)
Mr P Ramsay	Assistant Director of Finance – Financial Services
Mr M Gillman	Financial Governance and Audit Manager
Ms S Johnston	Head of Civil Contingencies Planning (until minute 21)
Ms G Beattie	Head of Procurement (until minute 25)
Mr C Morrison	Head of Operations, eHealth
Ms M Kerr	PwC
Mr K Wilson	PwC
Mr D McConnell	Audit Scotland (until minute 24)
Ms L Yule	Audit Scotland

Action by

17. Welcome and apologies

Apologies were intimated on behalf of Mr R Finnie, Ms J Forbes, Mrs D McErlean and Ms A Monaghan.

Given the absence of the members noted, Mr Macleod suggested, and the committee concurred, that the private sessions with the auditors be carried forward to the September meeting in order that as many members as possible are present.

**Financial
Governance
Manager**

18. Declarations of Interest

No declarations of interest were intimated.

19. Minutes

The minutes of the meeting on 14 March 2017 (A(M)17/01) were approved as a correct record of the meeting. The notes from the Audit Committee Executive Group meeting on 23 May 2017 and minutes of the Risk Management Steering Group meeting on 3 May 2017 were also noted.

20. Matters Arising/Rolling Action List

Mr Gillman updated the committee on the status of ongoing actions on both the rolling actions list and the audit actions update. Mr Gillman updated the committee on the following matters:.

- Cashier Appointment - Head Cashier appointment now made. Mr Ramsay confirmed a start date of 3rd July 2017.
- Risk management and cyber security - Mr Hamilton to arrange for risk management to be the subject of a future Board seminar - in hand, awaiting space on meeting agenda. In addition, Mr Morrison was at the meeting to give an update on the recent cyber attack.
- Information Commissioner's Office audit report - update on progress covered by PwC audit report
- Business Continuity Planning - Dr de Caestecker was present at the meeting to give an update on progress.
- Risk Management - Risk Management Steering Group are revisiting form and content of Corporate Risk Register and will report back at the September meeting of the committee
- Bad debts – Mr Ramsay had prepared a paper for members to describe the system for charging patients and pursuing non-payers.

Mr Gillman also highlighted the key points contained in the audit actions list:

In respect of 2015-16 findings, eight findings were reported as completed since the last meeting, leaving two findings which are either partially complete or still ongoing; these were in respect of the Central Decontamination Unit and Risk Management reviews.

To date, for 2016-17, four findings have now been reported as completed since the last meeting; leaving actions in respect of 2 findings which are either partially complete or still ongoing, both of which are in respect of the Business Continuity Management report.

Mr Macleod queried whether the committee should accept the action which closed the finding on the Pathology Specimen Transportation review;

management had considered that the small number of precious specimens lost did not warrant the cost of an electronic tracking system.

Action by

Dr Lyons noted that the action was to “consider whether an electronic tracking system could be implemented”, and therefore the action was complete.

**Director of
Diagnostics**

Ms Grant suggested that management will investigate further to consider and understand the materiality.

In response to a question from Mr Carr on the Financial Planning Process actions, Mr White answered that the next finance report would reflect the new process. Ms Grant also stated there was now a weekly directors’ meeting in place and that the Corporate Management Team was becoming a formal management team. Mr Carr asked that Ms Grant report to the NHS Board on her review and restructuring of management.

Chief Executive

Noted

21. Business continuity management update

Dr de Caestecker updated members on the progress being made towards meeting internal audit recommendations. She advised that a short life working group has been set up. It comprises business continuity leads, and is meeting on a monthly basis to progress the actions. Until the completion of the plan the SLWG will report to the Board’s Resilience Group, which is jointly chaired by the Director of Public Health and the Director of Property, Procurement and Facilities Management.

Dr de Caestecker reported that the group has now met three times, and has identified all delegated leads for BCP. Work is progressing towards have plans updated and tested by all directorates by December 2017. However, she noted she would attempt to bring the timescale forward, and that “bare bones” plans were in place. Mr Carr was reassured that plans are in place, and enquired when PwC would be looking at this area again. Ms Kerr answered that whilst BCP was not included in the 2017/18 audit plan, the current actions would be followed up.

Mr Macleod thanked Dr de Caestecker for the update, and requested that she report back to a future meeting of the committee.

**Director of Public
Health**

Noted

22. Overseas patients follow-up

Mr Macleod referred members to the Overseas Patients Procedure paper prepared by Mr Ramsay. Mr White commented that it was an ongoing problem across the country that when someone presents at a hospital we are unable to refuse treatment. There was, however, a separate process for elective cases.

Noted**Action by****23. Cyber security update**

Mr Morrison gave members an update on the ransomware cyber attack on 12 May, which had affected a large number of organisations across the world. Within NHSGGC, there had been no infection to any systems within the Board's private network, due to the organisations multi layered security; eleven GP practices, which were directly connected via the Scottish Wide Area Network, were, however, impacted. He described how the eHealth team managed the incident and the measures which were in place that had protected NHSGGC.

Mr Macleod noted that the particular patch that prevented the attack within NHSGGC had been applied timeously, and Mr Matthews said that the team should be commended for their diligence. Mr Macleod asked Mr Morrison if the Board needed to consider anything different; he replied that our preparedness for the showed that we were moving in the right direction.

Mr White also thanked the eHealth team for their work undertaken over that weekend, and noted that we also assisted other health boards in resolving the problem. He did, however, note that the Board mustn't become complacent.

Mr Morrison concluded by advising that eHealth would be impressing on third party suppliers (eg the laboratory service managed contract) the importance of keeping protection up to date.

Mr Macleod thanked Mr Morrison for the update.

Noted**24. Audit Scotland - Interim Audit Report**

Mr McConnell presented Audit Scotland's interim audit report for 2016/17. He highlighted that they had identified a small number of control weaknesses from their interim audit work. He added that, based on the review and testing of selected financial systems, their overall conclusion was that, subject to the matters identified, NHSGGC has adequate systems of internal control.

There followed some discussion around the asset disposal approval finding raised: five disposals had no evidence of the disposal being authorised. Mr White noted that finance management makes every effort to ensure that whenever an asset is disposed of, that Finance is informed. Mr Macleod commented that it appeared that there was a gap in the process. Mr White replied that periodic checks are in place.

Noted

Action by

25. Internal Audit

Ms Kerr presented PwC's activity report which summarised progress towards completing the 2016/17 internal audit plan during the period to 31 May 2017. She informed members that ten reviews had been completed during the quarter that were being reported at this meeting, with two more reports (QEUH Post Transfer Review and Clinical Governance Professional Accountability) currently being finalised and which will be reported to the committee at its meeting in September.

Ms Kerr also advised that, following feedback received from the Board's Chief Executive, a revised 2017/18 Internal Audit Plan was also being presented (included later on the agenda) for Audit and Risk Committee approval. The plan showed an increase from 510 to 525 days. Ms Grant noted that she didn't intend that the total days be increased, but did want to ensure proper coverage. Mr White pointed out that the plan included a contingency element, which might not be used. Mr Macleod said that he was content to recommend that the Committee approve the small additional resource.

Ms Kerr continued to highlight the key points from the ten reviews being reported.

Estates – Backlog and Operational Maintenance – medium risk; PwC identified findings covering resolving unplanned maintenance issues, service level agreements and statutory compliance resource requirements. Mr Loudon confirmed that actions were being taken to address the findings, and that he would put the matter of SLAs on the agenda for the Whole System Directors' Group.

Repairs & Maintenance Spend Data – medium; PwC's findings covered documentation of contractors and suppliers on local contracts and agreements and payment category data quality. Mr Beattie advised that since the audit work was carried out, and increased level of compliance with framework contracts was reported. Whilst Mr Loudon noted that framework contracts were often at the expense of SMEs, Mr Macleod said that the benefits of having framework contracts were important to the Board, and that he was pleased about the increased usage. Mr Carr referred to "just 15% of Estates repairs and maintenance spend was with one of the contractors covered by these agreements" and requested that a reconciliation be prepared to compare that figure with the current usage.

**Head of
Procurement**

Health & Social Care Integration, Assurance Map - no rating; Mr Macleod noted that this report would be shared with HSCPs by Mr Hobson, Assistant Director of Finance.

**Assistant Director
of Finance**

Health & Social Care Integration, Financial and Performance Reporting &

Controls – low; PwC considered that there is clear commitment from all organisations to provide integrated health and social care to the public. The review did identify areas for improvement in the processes to allow further progress - timeliness of performance monitoring data does not meet the

Action by

requirements of the IJBs and the roles and responsibilities of the dual role of the Finance Managers and Management Accountants are not formally documented. Management responded that a recent management accounts restructure would improve financial reporting and allowed HSCPs to develop integrated finance teams as integration progresses over the next few years. A service level agreement has also been drafted to clarify reporting responsibilities. In addition, the Board's performance team will continue to work closely with each partnership to develop appropriate reporting arrangements. Mr White added that IJBs don't have performance targets, so the Board will need to challenge IJBs to demonstrate what they are doing. Ms Grant agreed, saying that we have to measure IJBs as robustly as we measure acute, and that a sharper approach was needed to keep patients out of acute services. Dr Lyons asked how this information was shared with IJBs; Ms Kerr answered that relevant reports, such as this, were shared with IJBs.

Cyber Maturity 'Technology' - no rating; this review sought to understand the cyber maturity of the technology domain that is part of PwC's cyber maturity assessment tool. This domain was prioritised for this audit to understand progress made in enhancing technology controls highlighted as requiring improvement by the recent 'eHealth Leads – Cyber Security Survey' self-assessment. The work focused on processes and controls in place and covered a number of important control areas concerning how the organisation protects its critical information assets via the technical controls it has put in place to minimise the risks of accidental loss or deliberate theft of data. Management considered that the report recognises the existing controls as a result of the multi-layered security defences, and also outlines opportunity for improvement.

IT Project Governance – medium; PwC found that formal project management governance framework and supporting documentation is well defined and that the framework's key processes and controls are being followed consistently. However, they did find that there is a lack of detail within project business case documentation to clearly articulate the benefits the project will deliver, and how such benefits will be measured. In addition, there was limited evidence provided to demonstrate that NHSGGC defines project budgets within business cases or subsequently monitors actual cost versus budget. Management commented that significant progress has been made within eHealth in the last 12 months to ensure that a governance structure and standard processes are in place. eHealth will ensure that the actions identified will be implemented in a timely manner.

Data Security & Management: Information Commissioners Office, follow up – medium; Ms Kerr explained that this report did not follow PwC's normal

format, but was designed to show progress towards meeting the ICO's findings. The review highlighted that NHSGGC had made good progress, closing 22 of the 40 findings. The outstanding areas were Training, Information Governance (IG) Champions and the development of an Information Asset Register.

Action by

Mr White added that progress has continued; there were now fewer than ten actions outstanding and the ICO was now comfortable with the position and wouldn't intend to review this further. A report will be brought back to the committee in September.

**Director of
Finance**

Reporting and monitoring arrangements for efficiency savings – high (Ms Kerr advised that this review was rated high risk, and was, therefore, reported in full to members.) The audit confirmed that effective monitoring systems are in place with accurate information available on a regular basis to enable key stakeholders to monitor current performance. However, the review identified risks arising around:

- Unallocated savings plans: of the £19.7m savings plans sampled, these were due to deliver £6.9m savings in quarter 4, however this included £1.8m of unallocated savings plans, or 26% of those directorates' quarter 4 CRES target; and
- Savings Plans are financial year-end loaded increasing reliance on 'Board Relief': by 31 December 2016, plans had not yet been commenced or delivered for £2.9m or 17% of the sampled savings plans.

In his management response, Mr White commented that this report, on an extremely challenging area of the organisation, was broadly welcomed, and that the recommendations will be taken on board.

Mr Carr considered that the Board was still missing a medium term financial plan. Ms Grant noted that it was difficult to have a medium term financial plan in the absence of an agreed strategy from the centre. She acknowledged that the Board did need to get to a break-even position on a recurring basis.

Mr Macleod said that there was a need for board members to be better informed, but was cognisant of the need for confidentiality. He recommended that the report be remitted to the Finance and Planning Committee.

**Financial
Governance
Manager**

Embedding Risk Management arrangements – medium; the main focus of this review was to assess how effectively the risk management process had been embedded within the management decision making processes, and to assess the progress made against the agreed actions from the 2015/16 Internal Audit review. Due to progress that has been made during the year, and to better reflect the current actions that are now required, the prior year findings were now closed and recorded within the current year findings section of the report. This better reflects extent to which the risk management policy has been communicated and embedded across acute, corporate and partnership areas. The audit identified three medium risk findings relating to the corporate level approach to Datix implementation, the postponement (at the request of Chief

Officers) in HSCPs of the roll out of Datix risk registers requires clarity as to the agreed approach for risk management in Partnerships and limited evidence that the impact that the RMSG's review has on the Corporate Risk Register. Mr White advised that management is currently considering options around the management of the risk agenda, with a view to a revised process by the end of July 2017.

Action by

Capacity Planning, Cancer Services – medium; the review considered the effectiveness of the capacity planning processes and controls in place within Cancer Service. The review identified, three medium risk findings:

- whilst the cancer performance report provides a great deal of information, it is general in nature and does not demonstrate clear links between additional investment, actions taken and the impact on performance;
- the increased risk in respect of cancer services' performance for 2017/18 has not been appropriately assessed. There is no longer term assessment of expected performance or escalation of the impact to the Acute Services Committee or the Board;
- Capacity planning arrangements do not support the ability to facilitate the most integrated use of resources that will have the greatest impact on the Board's overall performance.

Ms Grant stated that this was a very challenging area; it wasn't clear what "good" historically was in this context. The cancer pathway was difficult to plan for, but Glasgow had a structured approach. Ms Grant asked if PwC had examples of better practice elsewhere. Ms Kerr undertook to contact Ms Grant.

PwC**Noted****26. Internal Audit Annual Report 2016/17**

Mr Wilson presented the draft Annual Internal Audit Report. The report outlined the internal audit work PwC carried out for the year ended 31 March 2017. The internal audit input was delivered in 642 days.

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. In

particular he highlighted that three of the audit reviews undertaken during 2016/17 were rated overall as high risk. These were Waiting Times Management and Reporting, Business Continuity Management and Reporting and Monitoring Arrangements for Efficiency Savings, all of which were known areas of challenge for the Board.

Mr Wilson acknowledged that management had accepted the findings in these reviews and that action plans were in place to address issues identified.

Mr Gillman advised that disclosure in respect of these key points would be made in the Governance Statement, and also in the Audit and Risk Committee's assurance statement.

Whilst, Mr Macleod noted that there had been an increase in high risk rated findings in the year, Dr Lyons didn't consider that there was a real trend. Mr Wilson said that it depended on what particular reviews were carried out. Mr White added that management welcomed constructive criticism in critical areas.

Noted

27. Internal Audit Plan 2017/18

Referring to the Annual Internal Audit Plan which had been discussed at previous meetings of the committee and again earlier during this meeting, Mr Macleod asked members if they were content with the plan. There was agreement that the plan should be approved.

Approved

28. Annual Fraud Report 2016/17

Mr Macleod drew members' attention to the Annual Fraud Report which summarised the NHS Board's counter fraud arrangements and also the nature and level of fraud within NHS Greater Glasgow and Clyde.

Noted

29. Losses and compensations 2016/17

Mr Gillman presented a report for members to note the details of losses incurred and compensation payments made during 2016/17. 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 had reduced from the previous year, down from £11.3m to £8.4m. Excluding compensation payments,

which are largely recoverable from the Clinical Negligence and Other Risk Indemnity Scheme, other losses were broadly in line with the previous year (£0.57m in 2015/16, and £0.56m in 2016/17).

Noted

30. Date of Next Meeting

The next meeting will be held on Tuesday 20th June 2017 at 9:30am.

The meeting concluded at 4:35pm.