

AUDIT COMMITTEE: 10 JANUARY 2012

A (M) 12/01  
Minutes: 01 - 13

NHS GREATER GLASGOW AND CLYDE

**Minutes of a Meeting of the  
Audit Committee  
held in the Boardroom,  
J B Russell House, Gartnavel Royal Hospital,  
on Tuesday, 10 January 2012 at 9.30 a.m.**

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**PRESENT**

Mr K Winter (Chair)  
Mr P Daniels OBE  
Cllr J Handibode  
Dr M Kapasi MBE  
Mr I Lee  
Dr R Reid  
Mr D Sime

**IN ATTENDANCE**

Mr P James	Director of Finance
Mr J C Hamilton	Head of Board Administration
Mr A Lindsay	Financial Governance and Audit Manager
Mr M Gillman	Divisional Financial Governance Manager
Ms A Hawkins	Director – Glasgow City Community Health Partnership (Minute 4)
Prof K McKean	Head of Pharmacy and Prescribing Support Unit (Minutes 5 – 6)
Ms G Woolman	Audit Scotland (From Minute 2)
Ms H Russell	Audit Scotland (From Minute 2)
Mr C Revie	PricewaterhouseCoopers (From Minute 2)
Mr M White	PricewaterhouseCoopers (From Minute 2)
Ms N Green	PricewaterhouseCoopers (From Minute 2)

**ACTION BY**

**01 AUDIT COMMITTEE: ROLE AND WAYS OF WORKING**

The Chairman reminded Members of the report which had been issued to them previously setting out the background to the internal and external audit services and how these engaged with the Audit Committee. The Director of Finance described how the Audit Support Groups had previously operated and how a new way of working had been introduced at the recent meeting of the Audit Support Group – Corporate and Partnerships. This new approach focussed on the

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recommendations made within audit reports and on the action taken by management in response. It was proposed that this approach be extended to the Audit Committee. The internal auditors, PricewaterhouseCoopers, had indicated that they were content with this approach and would monitor implementation of their recommendations. The Chairman commented that this would allow the Audit Committee to focus on the areas of highest risk.

The Chairman drew Members' attention to the self assessment checklist (the checklist) contained within the Scottish Government Audit Committee Handbook which had been previously circulated to Members. The checklist consisted of sixty-seven questions, fifty-nine of which were largely factual, leaving the following 8 questions for Members themselves to consider.

Q11 – Are new Audit Committee Members provided with an appropriate induction?

Members who had joined the Audit Committee recently commented on the induction pack with which they had been provided and it was agreed that a standard induction pack should be available. Members also considered that it would be helpful for new Members to meet with both sets of auditors.

**Financial Governance  
& Audit Manager**

Q13 – Are Members sufficiently independent of other key committees of the Board?

Members commented on their participation in other Committees of the Board noting that these Committees had different roles from the Audit Committee. If the Audit Committee were to consider the performance of another committee and an Audit Committee Member also sat on that other Committee, then the Audit Committee Member would declare an interest and withdraw from consideration of that item. It was agreed that Members were sufficiently independent of the other committees of the Board.

Q26 – Has the Audit Committee considered how it should co-ordinate with other committees that may have responsibility for risk management and corporate governance?

Members noted the process at the year-end whereby the other Governance Committees of the Board provided statements of assurance to the Audit Committee. There was also the potential for discussion of specific issues by the Chairs of the Committees. It was agreed that this was sufficient co-ordination with the other governance Committees of the Board.

Q47 – Has the Audit Committee considered the information it wishes to receive from internal audit?

There was general consensus that Audit Committee papers were overly long.

It was agreed that it would be more helpful to have a summary of the main themes, issues and changes with detailed supporting papers or reference papers included as

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appendices. Members agreed that a standard should be adopted whereby reports would be no more than approximately four pages long.

**Audit Scotland/  
Pricewaterhouse  
Coopers/  
Financial Governance  
and Audit Manager**

While noting the need for minutes to provide context and background, and acknowledging their role in supporting public scrutiny, Members also felt that there was potential for minutes of the Audit Committee to be shorter.

**Financial Governance  
& Audit Manager**

Members also discussed the potential for an Audit Committee briefing on any significant matters emerging from the audit of the annual accounts and it was agreed to consider the timing of this if any such matters arose from the audit.

**Director of Finance**

Some Members indicated they would prefer that the internal audit reports were in portrait format rather than landscape as at present. The Director of Finance undertook to raise this with the internal auditors.

**Director of Finance**

Q59 – Do reports to the Audit Committee communicate relevant information at the right frequency, time and in a format that is effective?

Members considered this question together with Question 47.

Q60 Does the Audit Committee issue guidelines and/or a pro forma concerning the format and content of the papers to be presented

Members considered this question with Question 47.

Q66 – Are there any areas where the Audit Committee could improve upon its current level of effectiveness?

Members referred to their previous involvement via a meeting with the internal auditors, in developing the internal audit annual plan and agreed that it would be desirable to have a similar involvement in developing the internal audit annual plan for 2012/13.

**Financial Governance  
& Audit Manager**

Q67 – Does the Audit Committee seek feedback on its performance from the Board and Accountable Officer?

Members noted the feedback received from the Chairman via the annual review process and commented how the annual review of the system of internal control provided a useful indicator of how the Audit Committee had performed.

02 **APOLOGY AND WELCOME**

An apology was intimated on behalf of Mrs J Murray. The Chairman welcomed Ms Woolman, Audit Scotland, who was attending her first meeting.

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**03 MINUTES**

On the motion of Dr Reid, seconded by Cllr Handibode, the Minutes of the meeting on 25 October [A (M) 11/05] were approved as a correct record and signed by the Chairman subject to an amendment to show that Mr Sime had been present.

**Financial Governance  
& Audit manager**

**04 AUDIT SCOTLAND REPORT: REVIEW OF COMMUNITY HEALTH PARTNERHSIPS**

A report of the Director – Glasgow City Community Health Partnership (Audit Paper No 12/01) was presented setting out the position of each Community Health (and Care) Partnership in respect of the findings and recommendations contained within the Audit Scotland report “Review of Community Health Partnerships.” The Director, Glasgow City Community Health Partnership (GC CHP) explained that the Audit Scotland report had been issued in June 2011 and since then, had been considered by each CH(C)P Committee

The Director, GC CHP described how, in their consideration of the report, the CH(C)P Committees felt that the report had not fully recognised the diverse nature of CH(C)Ps and that there was not a single best set of arrangements suitable for every CH(C)P, a factor recognised in the guidance originally issued in respect of CH(C)Ps by the then Scottish Executive. It was felt appropriate that the organisational arrangements for CHPs across Scotland would vary given that NHS Boards and local authorities had to agree what best suited their needs in the context of the statutory guidance.

Members’ attention was drawn to the areas of good practice summarised in the Audit Scotland report and to the recommendations made. These recommendations had been considered by each CH(C)P Committee and their responses had been included as Appendix 2 to the report.

Dr Reid commented that the report by the Director, GC CHP was very constructive. Ms Woolman (Audit Scotland) welcomed the NHS Board’s response to the Audit Scotland report, in particular the action being taken in respect of the recommendations. The response by the Board would be fed back to the Audit Scotland Performance Audit Team which had carried out the audit.

The Chairman thanked the Director, Glasgow City Community Health Partnership for her report.

NOTED

**05 PROGRESS REPORT: PHARMACY MODERNISATION PROJECT**

A report of Head of Pharmacy and Prescribing Support Unit (Audit Paper no 12/02) was presented describing the progress made in respect of the pharmacy modernisation project. An internal audit review of the benefits realisation from the pharmacy modernisation project had been reported to the Audit Committee on 12 May 2011 when it was decided (Minute 29 refers) that the Head of Pharmacy and Prescribing Support Unit (Head of PPSU) should attend a future

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meeting of the Audit Committee to report on progress made.

The Head of PPSU explained that the aim of the pharmacy modernisation project was to re-focus pharmaceutical services towards the core task of providing pharmaceutical care for hospital in-patients through the improved delivery of the "Making the Most of your Medicines" (MMyM) project. Robotic medicines distribution and dispensing systems had been introduced at selected locations across NHS Greater Glasgow and Clyde, in particular, the Pharmacy Distribution Centre (PDC) which involved the largest automation of a hospital pharmacy service in the world and which was key to the project. The benefits of the project included

- Releasing professional pharmacy skills to provision of patient centred, ward based care;
- Reduction of medicines waste;
- Speeding up patient discharge;
- Reducing the pharmacy departmental footprint.

By March 2012, it was expected that 90% of hospital in-patients would benefit from the MMyM project.

The Head of PPSU then described the action taken in respect of the three main findings to emerge from the internal audit review in 2011. These related to a comprehensive assessment of the pharmacy staffing position, assessment of the impact of the roll out of the MMyM project and level of stockholding at local distribution centres.

The Head of PPSU reminded Members that when the Audit Committee had first considered the internal audit review in May 2011, clarification had been sought on the arrangements for security and for contingency planning for major service failure at the PDC. A detailed contingency plan was in place for the PDC and the key elements of this were described. The Head of PPSU then described the steps taken to develop the security arrangements at the PDC and the arrangements to ensure these were maintained at as satisfactory level.

In reply to a question from Dr Kapasi, the Head of PPSU explained the challenges in achieving uniformity in the distribution of drugs to high street pharmacies. The Director of Finance undertook to raise this matter with the Prescribing Management Group and report back to the Audit Committee. Replying to a question from Dr Reid, the Head of PPSU explained that electronic prescribing featured in the Scottish Government's e-Health Strategy.

**Director of Finance**

The Chairman commented that Board Members had been impressed during their recent visit to the PDC and thanked the Head of PPSU for her report.

NOTED

06

**INTERNAL AUDIT ACTIVITY REPORT OCTOBER 2011**

A report of PricewaterhouseCoopers (Audit Paper No 12/03) was presented asking Members to note the Internal Audit Activity Report for the period to January 2012 showing progress against the internal audit annual plan and describing the key matters from the audit reviews

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completed since the last meeting of the Audit Committee. Mr Revie (PricewaterhouseCoopers) reported that the internal auditors were on track to complete the internal audit annual plan by the end of the financial year and drew Members' attention to the summary of the overall position set out on page 2 of the Activity Report. A number of changes had been agreed to the internal audit annual plan and Mr Revie confirmed that these would be accommodated within the total number of mandates previously approved by the Audit Committee.

Ms Green (PricewaterhouseCoopers) summarised the main matters from the internal audit review of prescribing. The purpose of this review had been to ensure that there were robust governance arrangements in place for the safe use of medicines with effective controls for the management of costs and budgeting. The overall conclusion from the review was that there were adequate processes in place and several areas of good practice had been noted. Two medium risk recommendations had been made in respect of reporting arrangements and information sharing. The Head of Pharmacy and Prescribing Support Unit (PPSU) commented that she found the internal audit report very helpful and described the action already taken to address the recommendations in respect of reporting arrangements. Work was continuing in respect of the recommendation on information sharing and this would be concluded within the agreed timescale. Cllr Handibode noted that the report gave assurance and the Chairman thanked the Head of PPSU for her contribution.

Mr White (PricewaterhouseCoopers) summarised for Members the matters to arise from the internal audit review of key financial controls. The review had covered six areas: - bank and cash; endowments; accounts payable; accounts receivable; payroll and staff expenses. Particular emphasis had been placed on accounts payable given recent attempted frauds against the Board in this area. The overall conclusion was that processes were operating well with more focus now being placed on improving efficiency. Seven medium risk and thirteen low risk recommendations had been made and this represented an improvement on previous years. Mr White drew Members' attention to action agreed by management to address the seven medium risk recommendations as set out on pages seven and eight of the Activity Report.

Ms Green set out the main matters arising from an internal audit review which considered the effectiveness of the arrangements for public engagement and consultation with particular regard to the Acute Services Review. The review concluded that overall there were excellent examples of public engagement practice, in line with the National Standards for Community Engagement.. A number of areas of good practice had been identified and were set out in paragraph 2.13 of the Activity Report. Four low risk recommendations had been made and actions agreed with management.

NOTED

07

**UPDATE REPORT – CENTRAL DECONTAMINATION UNIT**

A report of the Director of Facilities (Audit Paper No 12/03) was presented providing details of the contingency arrangements in respect of the Central Decontamination Unit. The Director of Finance

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reminded Members that the Director of Facilities had attended the previous meeting of the Audit Committee on 25 October 2011 when he undertook to provide further details of the contingency arrangements for the Central Decontamination Unit.

NOTED

**08 AUDIT SCOTLAND: DRAFT ANNUAL AUDIT PLAN 2011-12**

A report of Audit Scotland (Audit Paper No 12/06) was presented asking Members to approve the draft Annual Audit Plan 2011-12. Ms Woolman (Audit Scotland) explained that the draft Annual Audit Plan was in a similar format to previous years and had already been considered by both Audit Support Groups. The draft Annual Audit Plan had been informed by the Audit Scotland document "Priorities and Risks Framework."

Ms Woolman summarised the key points within the draft Annual Audit Plan including the following matters:-

- The respective responsibilities of Audit Scotland and the NHS Board;
- The extent to which reliance would be place on the work of internal audit;
- The approach to the audit of the Board's annual accounts;
- The main audit issues and risks;
- The key challenges facing the NHS Board;
- The audit fee and the planned outputs from the audit.

In response to a question from Mr Lee regarding the planned outputs form the audit, Ms Woolman undertook to provide a verbal report on the progress of the audit to the meeting of the Audit Committee on 5 June 2012.

**Audit Scotland**

DECIDED:

That the draft Annual Audit Plan 2011-12 by approved.

**Audit Scotland**

**09 AUDIT SCOTLAND: PROGRESS REPORT JANUARY 2012**

A report of Audit Scotland (Audit Paper no 12/06) was presented setting out progress in respect of the various streams of work carried out as part of the audit of the Board's annual accounts for 2011/12. Also attached as an appendix to the report was a letter from Audit Scotland to the Director of Finance reporting the outcome of their assessment of the internal audit service. This assessment concluded that the internal audit service operated in accordance with Government Internal Audit Standards and as result, Audit Scotland would be able to rely on the work of internal audit in certain specified areas.

NOTED

**10 FRAUD REPORT JANUARY 2012**

A report of the Financial Governance and Audit Manager (Audit Paper no 12/06) was presented describing the ongoing developments in the NHS Board's counter fraud arrangements and summarising progress in the on-going investigations of fraud as at January 2012. In particular,

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the Financial Governance and Audit Manager reported progress in the on-going investigation of a significant case of embezzlement of cash.

NOTED

11 **AUDIT SUPPORT GROUP – CORPORATE AND PARTNERSHIPS:  
MINUTES OF MEETING ON 21 DECEMBER 2011 [ASG CP (M)  
11/05]**

NOTED

12 **AUDIT SUPPORT GROUP – ACUTE: MINUTES OF MEETING ON 14  
DECEMBER 2011 [ASG A (M) 11/04]**

NOTED

13 **DATE OF NEXT MEETING**

The next meeting was scheduled for Tuesday, 27 March 2012 at 9.30 a.m.

The meeting ended at 11.35 a.m.