

NHS Greater Glasgow and Clyde

**Minutes of a Meeting of the Audit Committee
held in the Boardroom, J B Russell House, Gartnavel Royal Hospital, Glasgow G12 0XH
on Tuesday, 27 March 2012 at 9.30 a.m.**

PRESENT

Mr K Winter (Chair)
Mr P Daniels OBE
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	Financial Governance Manager
Mr P Ramsay	Head of Financial Services (to Minute 19)
Mr N Zappia	Head of Primary Care Support (to Minute 17)
Ms G Woolman	Audit Scotland
Mr J Steen	Audit Scotland
Mr M White	PwC
Ms N Green	PwC

Action by

14. Apologies

Apologies were intimated on behalf of Cllr J Handibode and Ms J Murray. Mr Winter noted that this would have been Ms Murray's last meeting as a member of the Audit Committee prior to her retirement from the NHS Board, and thanked her for her contribution to the work of the Committee.

Mr Winter advised members that would also be Mr Lindsay's final meeting before retiring, and noted that he had attended 73 of the last 74 meetings. On behalf of the members of the Committee he thanked Mr Lindsay for his significant contribution to the work of the Committee over many years.

15. Minutes

The minutes of the meeting on 10 January 2012 (A (M) 12/01) were approved as a correct record and were signed by the Chairman.

16. Matters Arising

a) Rolling Action List

The Financial Governance Manager highlighted the items on the list that were nearing the completion deadline, and that these related to work being carried out by PwC; Mr White confirmed that the work would be completed on schedule and would be reported at the next meeting.

PwC

Ms Woolman commented on the action point that stated that reports should be limited to 4 pages, noting that Audit Scotland would not be able to comply with this. Mr Winter confirmed there would be exceptions to the 4 page limit.

b) Progress Report: Purchase of Medicines

A report from the Head of The Pharmacy and Prescribing Support Unit was presented in answer to a query raised by Dr Kapasi (minute 5 of meeting of 10 January refers). The report detailed the obstacles that would limit the ability of NHSGGC to supply medicines to community pharmacies.

Noted

17. Audit of Family Health Services

Mr Winter welcomed Mr Zappia, Head of Primary Care Support (PCS), to the meeting, and outlined the reasons behind this report (paper 12/09) – that members had expressed an interest in the matter of the audit of GP's.

The Head of PCS described for members how the GMS contract was constructed, and what arrangements were in place for monitoring and ensuring the probity of payments made to family health service practitioners in general. He explained that whilst the UK-wide GP contract was a "low bureaucracy/high trust" arrangement, verification work was carried out by of the Practitioner Services Division (PSD) of NHS National Services Scotland (NSS). Mr Lee considered it would be a good idea to produce an annual report to the Audit Committee to summarise the work done and results of the payment verification exercises.

In response to a question from Mr Lee about value for money, the Head of PCS explained that the GP contract included an optional pay element – the Quality Outcomes Framework (QOF). Payments in respect of the QOF were based on evidenced completion of a range of work carried out by a GP practice.

Data was gathered showing how each practice has performed, and this information was normally published in August of each year.

Dr Reid asked how GP premises costs were paid, and also for how long the GP contract applied; the Head of PCS advised that each GP occupied premises had a rental value determined by the District Valuer, and that the NHS Board reimbursed that value to the practice; in respect of the contract, the Head of PCS stated that it was an ongoing contract (instituted in 2004).

Dr Kapasi asked where, for example, practices merged and made savings on practice staff whilst still receiving the same level of payments, how the Board could be satisfied that quality was maintained, as he did not consider it possible to maintain quality with fewer staff. The Head of PCS replied that whilst GP's might endeavour to achieve efficiency savings by way of economies of scale, the Board does, however, seek assurances that quality of service was maintained, and this was also informed by the QOF. Mr Sime and Mr Lee agreed that the focus on outcomes, rather than being prescriptive, was a valid methodology.

In response to a question from Mr Lee about what power the Board has where there were complaints against a practice, the Head of PCS described the process by which the Board can issue a "Breach Notice" indicating non compliance with a particular contractual requirement. Mr Hamilton advised, also, that new regulations coming into force shortly, under the Patients' Rights Act, would allow the Board to better monitor the levels of complaints against contractors.

The Director of Finance enquired as to Audit Scotland's view on verification work carried out, and also whether the GMS contract gave value for money. Ms Woolman advised that there external assurances provided by the service auditor appointed by NSS, and undertook to provide details of work carried out in respect of value for money.

Audit Scotland

The Director of Finance endorsed the view expressed earlier that an annual report be prepared.

**Head of Primary
Care Support**

Mr Winter concluded the discussion, and thanked the Head of PCS for his contribution.

Noted

18. Internal Audit Draft Annual Plan 2012/13

Mr Winter informed the meeting that, following an invitation to Audit Committee members, he, along with Mr Lee and Mr Daniels had met with PwC to discuss the Internal Audit Plan for 2012/13 (paper 12/10). Mr White added that the main topic of the discussion was whether the plan presented was the right plan within the agreed financial envelope. He highlighted the areas that had been discussed

Action by

that the Audit Committee members attending the workshop considered might be included as alternatives to topics in the draft plan; areas discussed were People Management, Delayed Discharges, Scrutiny of GP's and Financial Performance.

Mr White commented that, in relation to potential work on GP's, this could be considered alongside the proposed report that would be prepared by the Head of PCS.

PwC

Mr White took members through the draft plan which showed a total of 685 days for 2012/13.

Mr Sime enquired if, in light of the investigation into NHS Lothian's handling of waiting times information, SGHD would be imposing additional work in this area. Mr White responded that he expected that internal auditors would indeed be asked to carry out additional checks.

The Head of Board Administration informed members that the publication of the findings of the Vale of Leven Inquiry would be delayed, and that it could slip into 2013/14; if that were the case, then there would be additional days in the draft plan which could be freed up for alternative work.

Before asking for approval of the plan, Mr Winter agreed that, in conjunction with the Director of Finance, PwC should flesh out proposals for alternative topics, but overall the plan should be for 685 audit days.

PwC/DoF

Decided that the Draft Internal Audit Plan for 2012/13 be approved

19. Internal Audit Activity Report March 2012

A report of PwC (paper 12/11) was presented asking Members to note the Internal Audit Activity Report for the period to March 2012 showing progress against the internal audit annual plan and describing the key matters from the audit reviews completed since the last meeting of the Audit Committee.

Mr White 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. He pointed out that since the last Audit Committee in January 2012, the Resource Transfer review had been postponed until 2012/13 as requested by the Director, Glasgow City CHP, in order to allow the focus of the review to be tailored for the emerging control issues and risks associated with the Integrated Resource Framework, which was currently being developed. Mr White added that, whilst not a change to the plan, another area of significant internal audit resource since the last Audit Committee meeting was around 'Financial Pressures and the Delivery of Efficiency Savings.' This work will continue through March 2012 and will be reported in due course.

Action by

Ms Green (PwC) summarised the main matters from the internal audit review of Public Health (Staff Flu Vaccination Planning). The purpose of this review was to consider governance aspects relating to the staff influenza vaccination plan and its delivery, and to recommend any lessons that can be learnt for future years to improve the vaccination uptake rate. PwC concluded that, despite an improvement in uptake from prior to current year, the rate was below the current target set by SGHD, and that there were a number of areas where the control design or operating effectiveness of the planning process could be further improved.

In response to a question from Dr Kapasi as to the reasons for poor uptake rate, Mr White highlighted that being vaccinated was not mandatory. Mr Lee commented that there, perhaps, could be increased communication and publicity in respect of the vaccination programme.

**Director of
Corporate
Communications**

Ms Green proceeded to outline the results of the internal audit work undertaken in respect of Cash Management Arrangements. PwC noted that there were a number of areas where there was scope for improvement in relation to the operation and design of controls around cash management. These will require reinforcement of the importance of complying with Standing Financial Instructions (SFIs) and Financial Operating Procedures (FOPs). The Head of Financial Services described the measures that were being undertaken by the Finance Department (in conjunction with Facilities and Partnerships) to address the matters raised by PwC, and answered questions raised by members on the detail in the report.

Ms Green set out the findings arising from PwC's work following up on progress made in implementing recommendations agreed in previous internal audit reviews. It was noted that, whilst the majority of actions had been carried out timeously, there were some where the implementation date had been revised. Mr Winter expressed his concern that these dates had been missed, and asked that this be followed up for next meeting.

DoF/PwC

Lastly, Ms Green highlighted the work carried out in respect of the Pharmacy Homecare Service. Also provided for members was a paper prepared by the Head of the Pharmacy and Prescribing Support Unit which summarised actions taken by management to address findings in the Homecare Internal Audit report. The paper noted that the Head of PPSU would provide a follow up report in six months to detail progress in delivering agreed actions.

Head of PPSU

Noted

20. Audit Scotland Report: Transport for Health and Social Care

The Financial Governance Manager advised members that this paper (paper 12/12), setting out the NHS Board's response to the Audit Scotland report, had been prepared by the Head of Community Engagement and Transport,

but, unfortunately, he had been unable to attend the meeting.

The paper concluded that there was potential to secure cost savings within the public sector, but that NHSGGC was not a key player in achieving this.

Noted

21. Audit Scotland: Progress Report March 2012

Ms Woolman presented Audit Scotland's report (paper 12/13) which sets 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. She highlighted the main aspects of their work, on governance and on the Board's financial statements, and also outlined the programme of national studies which was undertaken by the Audit Scotland Performance Audit Group. Ms Woolman commented specifically on two recently published reports, Commissioning Social Care and Cardiology Services; in response to a question from Mr Daniels who asked if Audit Scotland would make a presentation on Commissioning Social Care to Glasgow CHP Joint Partnership Board, Ms Woolman confirmed that this could be arranged.

**Audit Scotland/
Head of Board
Admin**

Lastly, Ms Woolman updated members on the Technical Bulletins issued. Mr Lee asked why merger accounting rather than acquisition accounting was applied in respect of the transfer of services from the Scottish Prison Service; Ms Woolman undertook to consult with the Technical Services Unit in Audit Scotland to provide an answer.

Audit Scotland

Noted

22. Review of Corporate Risk Register 2012

The Director of Finance presented paper 12/14 asking Members to consider and approve the updated Corporate Risk Register (CRR) for 2012/13. The Director of Finance outlined the process that had been followed to prepare the updated CRR, and described the discussions that had taken place at Risk Management Steering Group and Corporate Management Team (CMT) meetings in developing the register and in respect of the possible risks around the new South Glasgow Hospital. CMT had approved the CRR, and agreed that the South Glasgow Hospital risks should be considered again in future years.

Decided that the Corporate Risk Register for 2012/13 be approved and submitted to the NHS Board for noting

DoF

23. Fraud Report March 2012

A report of the Financial Governance and Audit Manager (paper 12/15) 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 March 2012. He highlighted to members that there were no indications of any significant increase in fraud within NHSGGC.

The Financial Governance and Audit Manager reported on two new cases of fraud that had arisen since the last meeting: one case had been closed and the other referred to NHS Scotland Counter Fraud Services.

Noted

24. Audit Support Groups - Minutes of Meeting

Corporate and Partnerships - 29 February 2012 (ASG Cp (M) 12/01)

Acute - 21 February 2012 (ASG A (M) 12/01)

Noted

25. Date of Next Meeting

The next meeting was scheduled for Tuesday, 5 June 2012 at 1:00pm, in the Boardroom, J B Russell House.

The meeting ended at 11.50am.

Signed: K Winter
Chairman
5 June 2012

NHS Greater Glasgow and Clyde

**Minutes of a Meeting of the Audit Committee
held in the Boardroom, J B Russell House, Gartnavel Royal Hospital, Glasgow G12 0XH
on Tuesday, 5 June 2012 at 1.00 p.m.**

PRESENT

Mr K Winter (Chair)
Dr M Kapasi MBE
Mr I Lee
Dr R Reid (to Minute 39)
Mr D Sime

IN ATTENDANCE

Mr P James	Director of Finance (from Minute 28)
Mr J C Hamilton	Head of Board Administration (from Minute 28)
Mr M Gillman	Financial Governance Manager (from Minute 28)
Mr P Ramsay	Head of Financial Services (from Minute 32)
Ms G Woolman	Audit Scotland (except Minute 27)
Ms H Russell	Audit Scotland (except Minute 27)
Mr M White	PwC (except Minute 26)
Ms N Green	PwC (except Minute 26)

Action by

26. Private Meeting with External Auditors

As part of the normal governance arrangements and in accordance with its Remit, the Audit Committee had a private discussion with the External Auditors without officers of the Board being present.

27. Private Meeting with Internal Auditors

As part of the normal governance arrangements and in accordance with its Remit, the Audit Committee had a private discussion with the Internal Auditors without officers of the Board being present.

28. Apology

An apology was intimated on behalf of Mr P Daniels OBE.

29. Declarations of Interest

No declarations of interest were raised in relation to any of the agenda items to be discussed.

30. Minutes

The minutes of the meeting on 27 March 2012 (A (M) 12/02) were approved as a correct record and signed by the Chairman.

31. Matters Arising & Rolling Action List

The Financial Governance Manager drew members' attention to a revised rolling action list, which comprised matters with specific actions required.

Noted

32. Internal Audit Activity Report - May 2012

A report of PwC (paper 12/17) was presented asking Members to note the Internal Audit Activity Report for the period to May 2012 showing progress against the internal audit annual plan. As planned, all PwC's fieldwork is now complete for the year, and 23 reports have been presented to the Audit Committee. Four reports have been presented to Management in draft, and they currently await satisfactory action plans prior to finalisation and presentation to the Audit Committee. None of these reports contains critical risk findings. Mr White noted that the work in relation to the South Glasgow Hospital Project was delayed due to the timing of the OGC Gateway review. He advised members that Ms Green would summarise the main points from the five reviews being reported at this meeting.

The Director of Finance asked Mr White to report to members on the current position regarding their review of waiting times which had been deferred into 2012/13. Mr White explained that the work would be a review as instructed by the Cabinet Secretary following the PwC Report on Waiting Times Management at NHS Lothian. This instruction followed her statement to Parliament on the 21st March 2012, in which she provided an assurance that guidance was being applied appropriately across every NHS Board in Scotland. The requirement was for every NHS Board in Scotland to undertake a "rigorous, specific and detailed internal audit of local waiting times management and processes, including reporting mechanisms." He noted that discussions had taken place amongst all internal audit teams in NHS Boards to ensure a consistent approach across all boards.

Mr White also noted that the deadline for this exercise was 17 December 2012.

Ms Woolman advised that there would also be a review carried out by Audit Scotland, and that it would be an audit of historical waiting times information, as distinct from the systems work being carried out by internal auditors.

In response from a question from Mr Lee regarding the timing of the reports, and the need to avoid confusion and duplication, Ms Woolman said that they would endeavour to ensure their report was clear in that regard.

Ms Green then summarised for members the main points arising in their recently completed reviews;

- Workforce Planning – in response to a question from Mr Winter regarding changes in workforce numbers, Mr White undertook to reconcile the numbers in their report with the annual accounts.
- Clinical Incident Management – Ms Green answered members' questions around the use of Datix, and in particular Mr Lee asked how the Committee could be assured that the Head of Clinical Governance would be able to implement the agreed management actions. Ms Green confirmed that the report would be escalated to the Medical Director, who would ensure agreed actions were carried out.
- Follow-up of 2011/12 recommendations – the Director of Finance noted that the level of recommendations implemented was improved from the position reported at the previous Audit Committee meeting.
- Patient Focused Booking
- Patient management System

PwC

PwC

Ms Green highlighted that there were no critical or high risk findings in any of the reviews and reported that there were several areas of good practice in place.

Noted

33. Internal Audit Annual Report 2011/12

Mr White presented the Annual Internal Audit Report for 2011/12 (paper 12/18) 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 2011/12 which had been approved by the Audit Committee.

Mr White drew members' attention to the Head of Internal Audit Opinion which stated that "Using the terminology set out in the Department of Health guidance to Heads of Internal Audit (which is built into NHS Internal Audit Standards as adopted by the Scottish Government) this opinion would equate to "Significant Assurance"."

In response to a question from Mr Lee as to where “significant assurance” was on a scale of assurance, Mr White replied that this was at the top of the scale.

Mr Winter thanked PwC for all their work throughout the year.

Noted

34. Audit Scotland: Progress Report - May 2012

Ms Woolman presented Audit Scotland’s report (paper 12/19) which sets 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. She highlighted the main thrust of their work was, at present, in respect of the financial statements, and noted that they had been provided with good quality working papers on time. Ms Woolman confirmed the other areas that Audit Scotland were progressing, including best value, impact reports and follow-up of national reports.

Noted

35. Audit Scotland: Follow-up Report – Role of Boards

Ms Woolman presented Audit Scotland’s report (paper 12/20) which set out Audit Scotland’s review of how NHSGGC has progressed the action points contained in the national report on the role and work of the boards of public sector bodies.

She highlighted that the review concluded that NHSGGC has made good progress in implementing the recommendations outlined in the national report and that they are satisfied that the board is committed to achieving improvements in its performance. They identified two points for further management action in relation to the inclusion of an external peer perspective on the review of the board’s performance and the declaration of board members’ interests at the beginning of all board and committees meetings.

Mr Sime asked that the report be submitted to the NHS Board members, and the Head of Board Administration advised it would be e-mailed to board members following the Audit Committee Meeting.

**Head of Board
Administration**

Mr Lee agreed a peer review was necessary, but suggested that annually would perhaps be too much. He also asked if such a review was, for example, a third party review or by members of other NHS Boards. Ms Woolman answered that this was a matter for the NHS Board to decide.

Mr Winter thanked Audit Scotland for their work during the year.

Noted

36. Audit Scotland: Review of Internal Controls 2011/12

Ms Woolman presented Audit Scotland's report (paper 12/21) which was tabled for members as it had been completed at a late stage. The report set out Audit Scotland's assessment of the systems of internal control put in place by management.

She highlighted the key issues identified during their audit work including salary overpayments; there followed some discussion around the difficulties in tracing former members of staff who have left the organisation, and also where overpayments related to errors due to the complexity of medical salaries. The Head of Financial Services advised that data protection laws prevented board staff from tracing addresses by requesting information from other employers.

Ms Woolman advised members that Audit Scotland were able to conclude, that based on their review and testing of selected financial systems, NHSGGC has adequate systems of internal control.

Noted

37. Annual Fraud Report 2011/12

The Financial Governance and Audit Manager presented the Annual Fraud Report 2011/12 (paper 12/22) asking members' approval. The report detailed 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 Counter Fraud Services' patient fraud extrapolations.

In terms of the nature and level of fraud, details were given of the new cases of fraud which were discovered in 2011/12. The level of fraud in an organisation of the size of NHS Greater Glasgow and Clyde did not suggest that there were deficiencies in the counter fraud arrangements or significant weaknesses in the overall system of control.

Decided that the Annual Fraud Report 2011/12 be approved

38. Losses and compensations 2011/12

The Financial Governance Manager presented a report (paper 12/23) for members to note the details of losses incurred and compensation payments made during 2011/12. The Financial Governance Manager 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 largest payments were in respect of compensation payments which were recoverable from the Clinical Negligence and Other Risk Indemnity Scheme, leaving net losses of under £400k.

Noted

39. Review of the system of internal control 2011/12

A report of the Financial Governance and Audit Manager (paper 12/24) was presented asking Members to approve the report on the Review of the System of Internal Control, approve the Statement of Assurance by the Audit Committee to the NHS Board, approve the Governance Statement for submission to the NHS Board with a recommendation that the Chief Executive sign the Governance Statement and approve the letter from the Chair of the Audit Committee to the Health, Wellbeing and Cities Strategy Audit Risk Committee.

The Financial Governance and Audit Manager described how within the annual accounts was a Governance Statement (replacing the Statement on Internal Control) which required to be signed by the Chief Executive as Accountable Officer. The purpose of the statement was to describe the effectiveness of the NHS Board's system of internal control and if any significant aspect of the system of internal control was found to be unsatisfactory, this had to be disclosed in the statement. The 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.

Appendix 1 to the paper contained a review of the NHS Board's system of internal control based upon a number of sources of evidence. This included assurances from each of the committees with responsibility for governance, the work of internal and external audit and review of the NHS Board's governance arrangements and control procedures against the extant guidance from the Scottish Government. This review indicated a draft conclusion that the Board's system of internal control was satisfactory with no significant weakness requiring disclosure in the Governance Statement. Based on this draft conclusion, a draft Statement of Assurance from the Audit Committee to the NHS Board was included as Appendix 2 to the report, with a draft Governance Statement on pages 18-22 of paper 12/25 and the letter to the Health, Wellbeing and Cities Strategy Audit Risk Committee attached as Appendix 3.

Decided that :

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|---|----------------------------|
| • the report on the Review of the System of Internal Control be approved; | |
| • the Statement of Assurance by the Audit Committee be approved for submission to the NHS Board on 26 June 2012; | Director of Finance |
| • the Governance Statement be approved for submission to the NHS Board on 26 June 2012, with a recommendation that the Chief Executive signs the Governance Statement; | Director of Finance |
| • the letter to the Health, Wellbeing and Cities Strategy Audit Risk Committee be approved. | Director of Finance |

40. Draft Directors' Report and draft financial statements

The Director of Finance presented a report (papers 12/25-26) asking Members to note the draft Directors' Report (including the Statements of Responsibility and Governance Statement) and the draft financial statements. The Director of Finance explained that these papers were in draft form and final versions would be presented to the Audit Committee for approval at the meeting on 19 June 2012, following any changes required as a result of the audit. The purpose of this paper was to allow members to familiarise themselves with the format and content of the accounts and associated reports to facilitate the approval process at that next meeting. He suggested that if any members had any questions regarding any figures in the financial statements that they should contact the Head of Financial Services.

The Financial Governance Manager undertook to highlight for members any significant changes between the draft Directors' Report and Governance Statement and the final audited version.

**Financial
Governance
Manager**

Noted

41. Audit Support Groups - Minutes of Meeting

The following minutes were presented to the members:

Acute Audit Support Group meeting – 9 May 2012

Corporate and Partnerships Audit Support Group meeting – 24 May 2012

Noted

42. Date of Next Meeting

The next meeting was scheduled for Tuesday, 19 June 2012 at 9:30am, in the Boardroom, J B Russell House.

The meeting ended at 3:40pm.

Chairman
19 June 2012