

A (M) 03/2
Notes: 1- 15

NHS GREATER GLASGOW

**Notes of a Meeting of
Audit Committee Members
held in Boardroom 1,
Dalian House, 350 St Vincent Street, Glasgow,
on Tuesday, 29 April 2003 at 9.30 a.m.**

PRESENT

Mr C Scott (in the Chair)
Mr P Hamilton
Mr A Haseeb

IN ATTENDANCE

Mrs W Hull	Director of Finance
Mr J C Hamilton	Head of Board Administration
Mr A Lindsay	Head of Control & Support Systems
Mr J M Hamilton	Assistant Director of Finance
Mr C Gibson	Deloitte and Touche
Mr S Kelly	Deloitte and Touche
Mr M Thomson	PricewaterhouseCoopers

ACTION BY

1 WELCOME

Following the resignation of Cllr D McCafferty, Mr Scott agreed to chair the Audit Committee.

The Convener welcomed Mr Hamilton to his first meeting as a Member of the Audit Committee.

2 APOLOGIES

Apologies were intimated on behalf of Cllr Collins, Cllr Handibode, Mrs Smith, Mr Irvine and Mr Revie of PricewaterhouseCoopers.

Although inquorate, the meeting proceeded to discuss the issues on the agenda with the notes of the meeting being presented to the meeting of the Audit Committee scheduled for 1 July 2003 for possible homologation.

The remit and membership of the Audit Committee would be reviewed in respect of the number required to achieve a quorum, the filling of the Non-executive vacancy, the position of Convener and the possibility of the Trust Audit Chairs being able to nominate a substitute in their absence.

ACTION BY

A paper would be submitted to the NHS Board seeking amendments to the remit and membership.

**Head of Board
Administration**

3 MINUTES

The Minutes of the meeting on 28 January 2003 would be submitted to the meeting of the Committee scheduled for 1 July 2003.

**Head of Control &
Support Systems**

NHS GREATER GLASGOW

4 MATTERS ARISING FROM THE MINUTES (NHS GREATER GLASGOW ISSUES)

In respect of Minute 10, the Convener referred to the supplementary paper provided to Members by PricewaterhouseCoopers to confirm the matters reported at the last meeting by Mr C D Revie (PricewaterhouseCoopers). The Convener explained that the Bannerman case was subject to appeal and Mr Thomson (PricewaterhouseCoopers) added that the external auditors were in discussion with Audit Scotland regarding the wording of any qualification to annual accounts which may be required. In response to a question from Mr Haseeb, Mr Thomson explained that the external audit contract had been amended to reflect the conversion of PricewaterhouseCoopers to limited liability status.

5 INTERNAL AUDIT PROGRESS REPORT: STATUS OF TRUST AUDIT PROGRAMMES

A report of Deloitte and Touche (Audit Paper No 03/07) was presented describing progress in respect of the internal audit programmes in the NHS Trusts within Glasgow. Mr Gibson (Deloitte and Touche) explained that as requested by Members, the progress report now provided more detail of the outcomes of internal audit reviews. He drew attention to the summary of recommendations within the report and to the fact that no significant matters had arisen from any of the most recent meetings of each NHS Trust's Audit Committee.

In response to a question from the Convener, Mr Gibson agreed to provide more details of matters which attracted priority one recommendations and any generic issues which had Glasgow wide implications.

Deloitte & Touche

In response to a question from Mr P Hamilton, Mr Gibson explained that Members obtained assurance that remedial action was being taken by NHS Trusts through the programme of follow up audits the results of which would be reported to Members on an exception basis. The Director of Finance reminded Members of the mechanism for tracking recommendations which had been agreed by the Committee as part of its modus operandi in April 2002.

Deloitte & Touche

NOTED

GREATER GLASGOW NHS BOARD

6 EXTERNAL AUDIT: INTERNAL CONTROLS REPORT 2002/2003

A report of PricewaterhouseCoopers (Audit Paper No 03/08) was presented to give details of the issues identified by the external auditors during the work carried out in January and February 2003 as part of the statutory audit of the NHS Board's annual accounts for 2002/2003. Mr Thomson (PricewaterhouseCoopers) drew Members attention to the executive summary and the diagrammatic analysis of key issues which showed that no critical issues had been identified.

Members discussed the matters contained in the report.

Internal Audit

In response to a question from Mr Haseeb, Mr Thomson explained that in respect of 2002/2003, the external auditors had placed reliance on the work of the internal auditors on all areas that they had expected to.

With regard to the progress towards concluding the remainder of the internal audit plan, Mr Gibson drew Members attention to the explanation within the reports as to why some internal audit assignments had been deferred.

There was discussion of the need to ensure a process was in place to enable reports to be finalised promptly. The Director of Finance reminded Members that the Directors of Finance Group provides a forum for rapid response. It was agreed that

1. The internal audit plan should include a planned start date and progress reports should continue to show key dates;
2. A date should be set for management to respond to draft internal audit reports and failure to comply with this date should be reported to the Audit Committee.

Deloitte & Touche

Deloitte & Touche

Service Level Agreement

In response to a question from Mr P Hamilton, the Assistant Director of Finance explained that a board of management was in place to monitor the Glasgow-wide service level agreement (SLA) for payroll services while a separate SLA was in place for financial accounting services.

NOTED

7 CNORIS LEVEL 1 AND FUTURE AUDIT ARRANGEMENTS

A report of the Head of Board Administration (Audit Paper No. 03/09) was presented to report the current position in relation to the assessment against the Level 1 Standards of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) and to invite Members to consider the future arrangements for audit in the light of the White Paper and subsequent guidance.

ACTION BY

The Head of Board Administration explained that the NHS Board had been assessed against the CNORIS Level 1 Standards in December 2002 and has passed 18 of the 19 standards, narrowly failing to achieve a pass mark on the standard relating to the document management policy. This qualified the NHS Board for a fast track re-assessment and a revised document management policy had been submitted for re-assessment. The assessors had indicated that they would notify the outcome of the re-assessment by mid-May. Members commented that it would be helpful to have the outcome of the re-assessment in time to inform the annual accounts.

The Head of Board Administration explained that the NHS Board planned to consult in August on the dissolution of NHS Trusts in line with the White Paper "Partnership for Care" and this was an opportunity to elicit views on the audit arrangements required on moving to a single authority. The Director of Finance added that the CNORIS process had prompted a further review of the NHS Board's corporate governance arrangements including the future working of audit committees and the harmonisation of corporate governance across NHS Greater Glasgow. While it was recognised that the guidance from the Scottish Executive indicated that Trust audit committees were not required, Members agreed that the scale of NHS Greater Glasgow meant that the future audit arrangements required detailed consideration.

Following discussion, it was agreed that a workshop should be held to allow the relevant interested parties to opportunity to contribute to discussions of the future audit arrangements. It was further agreed that the workshop should be held on Tuesday, 24 June 2003 at 4.00 p.m. and that the following should be invited to attend in addition to the NHS Greater Glasgow Audit Committee: Trust Audit Committee Members, Trust Chairs, Board Chair, Directors of Finance, external auditors and internal auditors.

**Head of Control &
Support Systems**

NOTED

8 ACUTE SERVICES STRATEGY: GOVERNANCE ARRANGEMENTS

A report by the Director of Finance (Audit Paper No. 03/10) was presented setting out governance arrangements for the acute services plan as approved by the NHS Board on 18 February 2003 and reported to the Auditor General for Scotland for information.

NOTED

**9 INTERNAL AUDIT PROGRESS REPORT: GREATER GLASGOW
NHS BOARD**

A report of Deloitte and Touche (Audit Paper No. 03/11) was presented setting out progress in respect of Greater Glasgow NHS Board audit plan and the joint reviews undertaken across Glasgow. Mr Kelly (Deloitte and Touche) commented on the joint reviews and drew Members attention to the service report contained within the paper.

In respect of the NHS Board, Mr Kelly reported on the audits of budgetary control, payroll, senior managers' pay and emergency planning.

ACTION BY

Mr Gibson (Deloitte and Touche) and Mr Kelly also reported on a review which the internal auditors had carried out at management's request of the operations of a registered charity which received funding from the NHS Board to provide services to specific client groups in the community. There was discussion on the lessons learned which might be applied to other similar projects. Mr Kelly explained that the draft report which had been issued following the audit review contained action plans to address both aspects. The Director of Finance commented that this issue would be included in the planned review of corporate governance arrangements discussed earlier in the meeting (Minute 7 refers) and the audit recommendations would be used to inform this review.

Director of Finance

Mr Gibson reported that delay had occurred in moving the report from the draft stage to finalisation. He commented that while evidence had been provided to demonstrate that action was being taken, it was important that the report be finalised. It was agreed that the Director of Finance should facilitate the finalisation of the draft report.

Director of Finance

Mr Gibson drew Members attention to the proposed audit plan for 2003/2004 included in the progress report. He commented that a timescale for each audit would be added to the plan. Mr Kelly added that allowances for contingencies in the NHS Trust audit plans had not always been fully utilised making time available for alternative uses as approved by the Audit Committees.

**Deloitte and
Touche**

NOTED

10 EXTERNAL AUDIT REPORT: STAFF GOVERNANCE

A report of PricewaterhouseCoopers (Audit paper No. 03/12) was presented in respect of the NHS Board's staff governance arrangements. Mr Thomson (PricewaterhouseCoopers) explained that the NHS Board was required to complete a self-assessment audit tool (SAAT) which is used to develop an action plan to allow the Board to comply fully with the Staff Governance Standards. It is the role of the external auditor to validate the action plan and to provide assurance that the self-assessment process was robust, the action plan was agreed and the action plan is being delivered. Mr Thomson summarised some areas where it had been identified that further work was required. The Head of Board Administration reported that the NHS Board's and NHS Trusts' action plan from the Staff Survey and SAAT had been considered by the NHS Greater Glasgow Staff Governance Committee on 23 April 2003.

NOTED

11 EXCEPTION TO TENDER

A report of the Director of Finance (Audit Paper No. 03/13) was presented giving details of all cases where competitive tendering for the supply of goods and services had been waived in the period 1 January 2003 to 31 March 2003.

ACTION BY

Members commented on the frequency with which the reason for the exception was given as "sole supplier" and questioned whether this was strictly the case. It was agreed that the Head of Control and Support Systems should conclude his review of the exception process and report back to the Committee.

Head of Control & Support Systems

In response to questions from Members, the Assistant Director of Finance explained that the NHS Board provided only part of the funding of a stress centre while Mr Kelly (Deloitte and Touche) indicated that internal audit would be reviewing other stress centres as part of their programme.

Deloitte & Touche

NOTED

12 EXCEPTION TO TENDER: CENTRAL LEGAL OFFICE

A report of the Head of Board Administration (Audit Paper No. 03/14) was presented confirming the statutory obligation on NHS Boards to use the Central Legal Office for legal services and providing assurances that the arrangement offered value for money. In response to a question from Mr Haseeb, the Head of Board Administration undertook to look into the question of a service level agreement with the Central Legal Office.

Head of Board Administration

NOTED

13 FRAUD INVESTIGATION UNIT

A report of the Director of Finance (Audit Paper No.03/15) was presented explaining the planned extension of the role of the Fraud Investigation Unit (FIU) to counter fraud, corruption and other irregularities in any part of NHS Scotland. There was discussion of the impact of the proposed extension of the FIU's role on existing protocols under the Fraud and Corruption Response Plan. It was agreed that the Fraud and Corruption Response Plan should be revisited as part of the review of the NHS Board's corporate governance arrangements.

Director of Finance/Head of Control & Support Systems

NOTED

14 NHS SCOTLAND COMMON SERVICES AGENCY: SCHLUMBERGERSEMA NHS SCOTLAND OPERATIONS AUDIT - FOLLOW UP OF 2001/2002 AUDIT REPORT

A report of the Director of Finance (Audit Paper No 03/15) was presented setting out the results of a review by the internal auditors of the NHS Scotland Common Services Agency (CSA). The Director of Finance explained that this review had focussed on the controls operated by SchlumbergerSema in respect of the wide range of IT services which they provide to NHS Scotland under contract to the CSA. The report indicated good progress had been made to address issues previously identified by the auditors and the CSA's Director of Finance had requested that the report be presented to the Audit Committees of NHS Boards and Trusts in Scotland.

NOTED

15 DATE OF NEXT MEETING

ACTION BY

1. The workshop on future audit arrangements should be scheduled for Tuesday, 24 June 2003 at 4.00 p.m. in Boardrooms 1 & 2, Dalian House;
2. The next meeting of the Committee should be scheduled for Tuesday, 1 July 2003 at 2.00 p.m. in Boardroom 1, Dalian House;
3. A letter should be sent to all Members to advise them of these arrangements.

**Head of Control &
Support Systems**

The meeting ended at 11.25 a.m.