

A (M) 03/3  
Minutes: 12 - 24

NHS GREATER GLASGOW

**Minutes of a Meeting of the  
Audit Committee  
held in Board Room 1,  
Dalian House, 350 St Vincent Street, Glasgow,  
on Tuesday, 1 July 2003 at 2.00 p.m.**

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**PRESENT**

Mr C Scott (in the Chair)  
Councillor D Collins  
Mrs R Crockett  
Mr P Hamilton  
Mr A Haseeb  
Mr I Irvine  
Mrs E Smith  
Mrs A Stewart MBE

**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
Ms E McLeish	Corporate Reporting Manager
Mr C Gibson	Deloitte and Touche
Mr S Kelly	Deloitte and Touche
Mr C D Revie	PricewaterhouseCoopers
Mr M Thomson	PricewaterhouseCoopers

**ACTION BY**

**12 PRIVATE MEETING WITH EXTERNAL AUDITORS**

As part of the normal corporate governance arrangements, the Committee had a private discussion with the External Auditors without officers of the NHS Board being present. Following this discussion, the Chairman reported to the Secretary that the External Auditors had commented that a good working relationship had been maintained with officers and that the audit process had been good.

**13 PRIVATE MEETING WITH INTERNAL AUDITORS**

As part of the normal corporate governance arrangements, the Committee had a private discussion with the Internal Auditors without officers of the NHS Board being present. Following this discussion, the Chairman reported to the Secretary that the Internal Auditors had commented on the sound working relationship with officers and the quick reaction to points raised.

**14 APOLOGY**

An apology was intimated on behalf of Cllr J Handibode.

**15 MINUTES**

On the motion of Mr Scott, seconded by Mr Irvine, the Minutes of the meeting on 28 January 2003 were noted as a correct record and signed by the Convener.

**16 NOTES**

On the motion of Mr Scott, seconded by Mr Irvine, the Notes of the meeting of Audit Committee Members on 29 April 2003 were noted as a correct record and the decision therein endorsed.

**17 MATTERS ARISING FROM THE NOTES**

The Chairman noted that in respect of Note 5, there was to be greater focus on priority and generic issues which had Greater Glasgow wide implications and in respect of Note 6, that there was a stricter regime for concluding audit reports.

In respect of Note 7, the Head of Board Administration reported that under the fast track process, the NHS Board had been successful in achieving CNORIS Level 1 accreditation. The Risk Management Group would continue throughout 2003/2004 to work to embed risk management into the Board's processes with the intent of seeking CNORIS Level 2 Standards in 2004/2005.

In respect of Note 9, the Director of Finance reported that a full response had now been provided to the internal audit report on the review of the operations of a registered charity which had received funding from the NHS Board.

Mrs Smith and Mrs Stewart commented on the absence of controls in this case and Mrs Smith compared it to practice in the commercial sector. In response to questions from Mrs Smith, the Director of Finance explained that

1. All funding arrangements were covered by an appropriate form of service level agreement (SLA) or contract.
2. A process of due diligence was in place before each SLA or contract was let.
3. The SLAs and contracts provided the NHS Board's internal auditors with rights of access if required e.g. if the organisation was not delivering the outcomes expected of it.
4. Most of the organisations in question were registered charities and were therefore subject to independent audit.

In response to a question from Mr P Hamilton, the Director of Finance explained the response to and action being taken in respect of the internal audit recommendation which had not been fully accepted.

The Assistant Director of Finance explained that while problems had been encountered with this specific organisation, controls in the form of contracts and SLAs were in place for some time with such

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organisations. Mr Kelly (Deloitte and Touche) commented that more robust controls were to be put in place for all such organisations which would prevent the problems which had been encountered with this particular organisation. Mr Haseeb noted that while mistakes had been made in the past, it should be acknowledged that processes were now in place to prevent these mistakes being repeated.

Mr Revie, PricewaterhouseCoopers, commented that to minimise risk, the NHS Board should restrict the extent to which organisations are funded in advance. Cllr Collins commended the Conditions of Grant used by local authorities in similar circumstances and expressed concern that organisations should return to the NHS Board any unused funding.

It was agreed that a further report be presented to the next meeting of the Committee which would include details of the organisations funded and the arrangements for the award of funding and monitoring performance.

**Director of  
Finance**

In respect of Note 12, the Head of Board Administration reported that there was nothing further to report at this stage on the question of a service level agreement with the Central Legal Office.

**Head of Board  
Administration**

**18 INTERNAL AUDIT ANNUAL REPORT 2002/2003**

A report of Deloitte and Touche (Audit Paper N0 03/17) was presented commenting on the internal audit programme undertaken during 2002/2003 and providing the Audit Committee with an Annual Internal Audit statement. Mr Kelly (Deloitte and Touche) drew Members attention to the key points of the report which included the following matters.

1. A total of 19 recommendations had been made of which 4 were priority one, 10 were priority two and 5 were priority three.
2. Those reports which had still to be finalised would be brought to the next meeting of the Committee.
3. An internal audit plan would be presented to the next meeting of the Committee.

**Deloitte & Touche**

**Deloitte & Touche**

In response to a question from Mrs Smith, the Head of Board Administration commented Members that the Risk Register had been considered by the Committee at the workshop held on 1 October 2002 and again at the meeting of the Committee on that same date

There was discussion on the need for a Glasgow wide Risk Register to record strategic risks and of the role of Audit Committees in monitoring risk management arrangements. Mrs Smith commented on the need for Non-executive Directors to be able to monitor and challenge the risk management process. In respect of the relationship between audit and clinical governance, Ms Crockett commented that thought needed to be given to the accountability of Audit Committee Members if Audit Committees were to oversee the work of Clinical Governance Committees.

In response to a question from Mrs Smith, the Director of Finance explained that there was a need to ensure Board wide and strategic risks were addressed as well as those specific to Greater Glasgow

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NHS Board. Further work was therefore required with NHS Trusts to clarify and co-ordinate risk on a Glasgow wide basis. This work could be progressed as part of the overall review and harmonisation of governance arrangements within NHS Greater Glasgow. In summary the position was that as part of the consideration of the implications of the White Paper "Partnership for Care", a process was being evolved by which a Board wide Risk Register including both business and clinical risks could be created.

**Director of  
Finance**

NOTED

**19 REVIEW OF SYSTEM OF INTERNAL CONTROL 2002/2003**

A report of the Head of Control and Support Systems (Audit Paper No 03/18) was presented inviting Members to review and evaluate the NHS Board's systems of internal control and to report the outcome to the NHS Board on 15 July 2003. The purpose of the report was to provide Members with a summary of all relevant evidence to inform their review. The intention of the review was to enable the Audit Committee to provide assurance to the NHS Board that an effective system of internal control was in place and being complied with. This assurance would in turn allow the Chief Executive to sign the Statement of Internal Control which formed part of the Board's Annual Accounts subject to the declaration in the Statement of any areas where internal control was not wholly adequate (for example, where a control had been in place for part of the year only).

The Chairman drew Members' attention to the sources of evidence which were referred to in the report. In respect of property transactions monitoring, Mr Kelly (Deloitte and Touche) reported that while the internal audit review had still to be concluded, no matters of concern had arisen during the work done to date on the only transaction concluded in 2002/2003.

In respect of clinical governance, it was noted that an annual clinical governance report was being prepared and it was agreed that this should be available before the Audit Committee reported to the NHS Board on 15 July 2003.

**Director of Public  
Health**

DECIDED:

That a report be submitted to the NHS Board on the Audit Committee's review of the system of internal control recommending that the Chief Executive sign the Statement of Internal Control subject to declarations within the Statement relating to risk strategy, payment verification and patient exemption in respect of practitioner services.

**Convener/Head of  
Control & Support  
Systems**

**20 EXTERNAL AUDIT: DRAFT ANNUAL REPORT TO BOARD MEMBERS 2002/2003**

A report of PricewaterhouseCoopers (Audit Paper No 03/19) was presented directing Members' attention to matters of significance which had arisen during the 2002/2003 audit and confirming the action planned by management to address those matters identified for improvement. Mr Revie (PricewaterhouseCoopers) commented on the main points contained in the draft report.

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1. The true and fair opinion on the financial statements was unqualified.
2. The regularity opinion was qualified on the grounds of
  - (a) the absence of a systematic programme of payment verification of Family Health Services expenditure throughout the year.
  - (b) The potential for incorrect claims for patient exemption highlighted by the Fraud Investigation Unit of the Common Services Agency.

In respect of point (a), Mr Revie reported a significant improvement in the controls in place and anticipated that if continued, it may be possible to remove the qualification next year. In response to a question from Mr Haseeb, Mr Revie commented on possible actions that might lead to the removal of the qualification on the issue of exemption claims.

3. The audit process had gone smoothly and Mr Revie offered his thanks to both his own staff and the staff of the NHS Board.

4. The NHS Board had achieved its financial targets. The section of the report dealing with financial targets did not refer to the cash requirement. A comment would be added to the final version of the report presented to the NHS Board. Mrs Stewart commented on the wording used in the second paragraph of page 5 of the report to describe the performance meetings held by the NHS Board and Mr Revie undertook to revise the wording to make it clearer.

**Pricewaterhouse  
Coopers**

**Pricewaterhouse  
Coopers**

5. The section of the report relating to governance arrangements contained elements of pan Glasgow matters. Mr Revie undertook to provide a pan Glasgow Report summarising the external audit reports to the bodies in NHS Greater Glasgow and suggested that governance arrangements might be expanded upon in that report.

**Pricewaterhouse  
Coopers**

6. Section 6 of the report referred to the PPP/PFI initiatives in respect of the ACADs and reminded Members of the need to demonstrate clearly that appropriate competition requirements had been met and continued value for money achieved. The Director of Finance explained that the Chief Executive intended a discussion of this issue at the next meeting of the NHS Board on 15 July 2003.

7. Section 8 of the report referred to the Acute Services Review. Mr Revie reported that the External Auditors had kept an overview of the project management arrangements put in place for the Acute Services Review and were scheduled to meet with the Chief Executive and Programme Director to discuss issues. Members discussed the application of this type of overview to the Maternity Services Review and it was agreed that this should be considered.

**Mr P Hamilton/  
Ms R Crockett**

8. Mr Revie noted that although delayed, the project arrangements for the Acute Services Implementation were now agreed and he commented on the need for the NHS Board to ensure a dedicated team was in place to take the project forward.

9. Appendix 1 of the report contained an action plan which described the action taken by management as "on-going". Members agreed that this was appropriate given the nature of the audit

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recommendations to which the actions related. Mrs Stewart commented that in respect of item 4 progress report on the Stobhill and Victoria ACADs should also be presented to the Audit Committee.

10. Appendix 3 set out a timetable for the various reports produced by the External Auditors and Mr Revie agreed to change the date for the production of the Management Report from June 2003 to July 2003.

**Pricewaterhouse  
Coopers**

NOTED

**21 STATEMENT OF ANNUAL ACCOUNTS 2002/2003**

A report of the Director of Finance (Audit Paper No 03/20) was presented asking Members to consider the Annual Accounts for 2002/2003 and if satisfied to recommend their adoption by the NHS Board. The Assistant Director of Finance explained that the NHS Board was required to submit the annual accounts to the Scottish Executive by 31 July 2003 and if agreed by the Committee, the accounts would be presented for adoption to the NHS Board on 15 July 2003. He drew Members' attention to the Commentary by the Director of Finance attached to the accounts which highlighted the main issues.

1. The External Auditors intended to issue an unqualified true and fair opinion.
2. The format of the accounts was prescribed by the Scottish Executive and significant presentational changes for 2002/2003 resulted from the need to account on accruals basis.
3. The Revenue Resource Limit was £1,035m and net revenue out turn was £1,023m. The balance of £12m related to deferred income in respect of Trusts and projects and reserves not fully utilised by 31 March 2003 but in progress for completion in 2003/2004.

In response to questions from Members, the Assistant Director of Finance explained that a consolidated set of accounts would be produced for NHS Greater Glasgow to allow the overall year-end position to be reported. In response to a question from the Chairman, the Assistant Director of Finance commented that he would check the date of the most recent actuarial valuation.

**Director of Finance**

**Assistant Director  
of Finance**

In response to a question from Mrs Stewart regarding the Directors' Report, the Head of Board Administration referred to conflicting information in the letters of appointment and undertook to check to date of appointment of Mrs Whitehead to the Health and Clinical Governance Committee.

**Head of Board  
Administration**

DECIDED:

That the Audit Committee should recommend adoption of the Annual Accounts for 2002/2003 to the NHS Board subject to the agreed change to Note 23.0 and the clarification of the date of appointment within the Directors' Report.

**Convener/Director  
of Finance**

**22 OUTCOME OF AUDIT COMMITTEE WORKSHOP**

The Chairman thanked all those who had attended the Audit

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Committee Workshop on 24 June 2003 and invited the Director of Finance to summarise the outcome. The Director of Finance highlighted the main themes to emerge from the discussions as being

1. There was a clearly viable role for Trust Audit Committees reflecting that the bulk of operational activity took place at Trust level. This role needed to be embedded within the overall risk management arrangements within the Trusts/Divisions.
2. The role of the NHS Greater Glasgow Audit Committee was seen as being limited to approval of annual accounts, approval of internal and external audit plans and audit work and issues relating to Greater Glasgow NHS Board.
3. In developing this outline, there was a need to test the proposals against the questions posed by the external and internal auditors during their presentations to the workshop.
4. A Scheme of Delegation required to be developed.
5. The corporate governance arrangements across Glasgow required to be harmonised.

The Director of Finance confirmed that a written summary of the outcome of the workshop would be produced.

**Director of  
Finance/Head of  
Control & Support  
Systems**

**23 NHS GREATER GLASGOW AUDIT COMMITTEE: CHANGES TO CONSTITUTION**

A report of the Head of Board Administration (Audit Paper No. 03/21) was presented giving details of changes to the constitution of the Audit Committee. The Head of Board Administration reminded Members that the meeting of the Committee on 29 April 2003 had been inquorate and that it was agreed at that meeting to put in place arrangements to ensure that the remaining meetings of the Audit Committee for the current financial year were quorate.

Consequently the NHS Board approved the following changes to the Membership and composition of the Audit Committee.

1. Membership was revised to take account of the vacancies created by the departures of Professor G C A Dickson and Cllr D McCafferty together with a change in the Convenorship of the South Glasgow Acute Trust Audit Committee.
2. Where the Chair of a Trust Audit Committee is unable to attend a meeting of the NHS Greater Glasgow Audit Committee (or situations where a particular trust would not be represented), a member of the Trust Audit Committee should attend on their behalf.
3. The quorum was amended from 5 members, of whom 3 must be members of Greater Glasgow NHS Board, to a quorum of 4, of whom 2 must be members of the NHS Board.

The Chairman commented on the need to encourage consistency of

EMBARGOED UNTIL MEETING

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membership and the need to ensure substitutes were fully briefed to ensure continuity in the Committee's business.

NOTED

**24 DATE OF NEXT MEETING**

DECIDED:

That the next meeting of the Committee be scheduled for Tuesday, 30 September 2003 at 9.30 a.m.

The meeting ended at 4.00 p.m.