

Lanarkshire NHS Board

14 Beckford Street
Hamilton ML3 0TA
Telephone 01698 281313
Fax 01698 423134
www.nhslanarkshire.co.uk



**Minute of Meeting of the Audit Committee
held on Tuesday 8th December 2009 at 9.00am in the
Board Room, NHS Lanarkshire, 14 Beckford Street,
Hamilton**

CHAIRMAN: Mr W Sutherland, Non Executive Director

PRESENT: Mr J A Anning, Non Executive Director
Mr T Currie, Non Executive Director
Mrs S Smith, Non Executive Director

IN

ATTENDANCE: Mrs L. Ace, Director of Finance
Mr P K Corsar, NHS Board Chair
Mrs L Paterson, Pricewaterhouse Coopers
Mr J Gray, Pricewaterhouse Coopers
Mr T Gaskin, Internal Audit Consortium
Mrs R Stevenson, Internal Audit Consortium
Mrs M Holmes, Internal Audit Consortium
Mr C McGhee, Corporate Risk Manager
Mr N J Agnew, Board Secretary/Corporate Affairs Manager

1. **WELCOME**

Mr. Sutherland welcomed members and attendees to the meeting. He extended a particular welcome to Mr Gray, who was attending in his capacity as the designated external audit manager. He also extended a particular welcome to Mr Gaskin and to Mrs Stevenson, in their capacity as strategic leads of the internal audit service.

Mr Sutherland reminded members that Mr Sweeney, the former Employee Director, had, in his capacity as a Non Executive Director of the Board, been a member of the Audit Committee. He reminded members of the outstanding issue around "Stakeholder" Board members, and suggested that, pending clarification of this issue, there would be merit in Mrs Macer, as the current Employee Director, routinely being invited to attend the meetings of the Committee. Members supported this proposition.

Mr Agnew

2. **MINUTES**

The minute of the meeting held on 8th September 2009, was approved, subject to noting that discussion had highlighted the need to alter the wording in the Internal Audit Service Level Agreement to reflect the position around changes in key personnel. Mrs Ace confirmed that the SLA had been amended accordingly.

3.

MATTERS ARISING

i) **Queried Invoices**

The Committee considered an update on Invoice Queries.

Mrs Ace highlighted the current position with regard to invoice queries. She summarised the work already undertaken to address the issue, and outlined the work still taking place to further improve the position. She explained that the procurement and creditors function believed that a realistic target for normal operating within the current environment was 1500 invoice queries, representing 11% of the total invoices processed in the month. She highlighted factors in the environment which impacted on the achievement of this performance target, and confirmed that efforts to streamline the process and enhance existing controls over authorisation would continue, to ensure that performance was maintained or improved.

THE COMMITTEE:

1. Noted the update on invoice queries.

ii) **PACS**

Mrs Ace reminded members that the issue had been the subject of a report to the NHS Board in November, when the Board had agreed delegated authority to the Director of Finance to conclude outstanding matters. She highlighted the requirement for SGHD approval to take the issue to a conclusion, and confirmed that the necessary approaches to SGHD had been made.

THE COMMITTEE:

1. Noted the update on PACS.

iii) **Car Leasing**

Mrs Ace reminded members that this issue had been the subject of a report to the Audit Committee in September. She confirmed that the procurement aspects were being taken forward. She highlighted the position with regard to: Insurance recovery; Proposals to alter the existing leased car scheme to enhance its overall viability; and the approval of a leased car for staff only when individual agreements were viable. She confirmed that discussions were being taken forward, as appropriate, with the staff side.

THE COMMITTEE:

1. Noted the update on car leasing.

iv) **Information Governance**

Mrs Ace reminded members of the role of the eHealth Strategy Group. She advised that the Information Governance Committee reported directly to the Clinical Governance Committee on key information governance issues, including progress on the implementation of the Information Governance Strategy and Action Plan. She advised that both internal and external audit were undertaking review work in relation to information governance. She confirmed, also, that an NHS QIS review of information governance had taken place.

THE COMMITTEE:

1. Noted the update report on information governance.

v) Law Sale

Mrs Ace reported that negotiations with the Developers continued, and that the Developers remained committed to the sale. She confirmed that demolition work was proceeding on the basis agreed with the Committee at its previous meeting. She confirmed, also, that the Board's Property Advisor was in discussion with the Developer about alteration to the price and payment arrangements as a consequence of market conditions. She stressed that the management of the risks associated with the transaction remained a key focus.

THE COMMITTEE

1. Noted the update on the Law sale.

vi) Internal Audit SLA

Mrs Ace confirmed that the new internal audit management arrangements had commenced, as planned, on 1st October 2009.

THE COMMITTEE:

1. Noted the update on the Internal Audit SLA.

4. EXTERNAL AUDIT

i) Strategic Audit Plan 2009/10

The Committee considered the external Audit plan for the year ending 31st March 2010. Mrs Paterson outlined the principal elements of the external audit plan, with regard to:

PwC audit approach;
Governance and financial statements;
Areas of particular audit risk;
Other business issues identified;
The audit reporting and timetable;
The audit team and audit fees.

Mrs Ace acknowledged issues raised by Mr Sutherland about the need for members to have a clear sense of quantum in relation to the scale of fraud. She confirmed that she would take forward further work with a view to providing for members specific narrative about the nature of fraud, and the incidence and approach to fraud minimisation across the wider NHS.

Mrs Ace

Members noted that Materiality, defined within the document as "an expression of the relative significance or importance of a particular matter in the context of a set of financial statements", was to a degree a matter of professional judgement, including consideration of materiality by nature, by value and by context. Mrs Paterson explained that the term "trifling" would apply to differences valued at less than £50,000, if unadjusted.

Mrs Paterson acknowledged the potential for the outcome of the Law Sale to be favourable. She acknowledged issues by Mr Sutherland about Equal Pay, and the potential impact on the Board's Financial Plan and Accounts, but advised that, thus far, she was not aware of a finalised position nationally on this issue.

Mrs Ace updated members on the national position with regard to Equal Pay, and explained the relationship with Agenda for Change, with claims likely being limited to the pre-Agenda for Change position. She advised that it was not possible, currently, to specify the potential volume of claims, and therefore, the financial consequences could not yet be quantified. She confirmed that Equal Pay would, therefore, be managed within the Accounts as a contingent liability, and that it would feature in the dialogue with the auditors in finalising of the Annual Accounts.

Mrs Paterson and Mr Gray left the meeting. An in-depth discussion ensued on the Audit Fees. Members highlighted the need for further information to enable them to better understand the rationale for the fee range and the proposed audit fee for the Board, within the context of Best Value. This would, as appropriate, include obtaining additional information from Audit Scotland in explanation of their approach to setting the fee range.

Mrs Paterson and Mr Gray returned to the meeting.

Mr Sutherland explained the discussion that had taken place, and the conclusion that members would wish access to additional information from Pricewaterhouse Coopers in support of the proposed fee, and from Audit Scotland in relation to the audit fee range, within the overall context of Best Value. Mrs Paterson acknowledged this request and undertook to liaise with Mrs Ace towards providing the required additional information about the audit fee.

THE COMMITTEE:

1. Approved the Audit Fee set out within the External Audit Plan, subject to delegated authority to Mr Sutherland and Mrs Ace to conclude matters on the basis of the further information requested and discussion, as necessary, with Pricewaterhouse Coopers and with Audit Scotland

Mrs. Ace

ii) **IFRS Shadow Accounts Report**

The Committee considered correspondence of 30th November 2009 to Mrs Ace from Pricewaterhouse Coopers about “NHS Lanarkshire – Review of IFRS Shadow Accounts 2008/09”.

Mrs Paterson highlighted the key issues from the letter, with particular regard to the timetable and responsibilities and the principal audit findings based on review of the Shadow Accounts and supporting documentation. She confirmed that, based on the review work and subject to the recommendations highlighted within the letter, the figures within the Shadow Accounts appeared to be appropriate for use as comparative amounts for the 2009/10 IFRS based accounts.

THE COMMITTEE:

1. Noted the correspondence of 30th November 2009 from Pricewaterhouse Coopers about NHS Lanarkshire – review of IFRS Shadow Accounts 2008/09.

5. **ACCOUNTING POLICIES**

The Committee considered a report on Adoption of International Financial Reporting Standards – Accounting Policies.

Mrs Ace reminded members that, from 2009/10, the NHS was required to prepare its Annual Accounts in accordance with International Financial Reporting Standards (IFRS). She reminded members that the Audit Committee had approved draft IFRS Accounting Policies at its September meeting. She confirmed that these accounting policies had been slightly amended as part of the audit of the shadow accounts, and that the amended Accounting Policies now represented the final audited IFRS compliant Accounting Policies.

THE COMMITTEE

1. Approved the IFRS compliant Accounting Policies

6.

INTERNAL AUDIT

The Committee considered an internal audit progress report for quarter 2 (2009/10), incorporating a proposed revision to the 2009/10 audit plan.

Mr Gaskin highlighted the principal elements of the progress report. He confirmed agreement on a Memorandum of Understanding around interactions between the Consortium and NHS Lanarkshire staff, and confirmed that consideration was being given to the processes and procedures to give effect to the MoU. He stressed the importance of embarking on a process of dialogue, towards ensuring that the Consortium understood and was best placed to respond to the Board's requirements. He confirmed that work would be undertaken to review completed audits, to inform the identification of key priorities and deferrals.

Mrs Ace acknowledged issues raised by members about the importance of Corporate Management Team ownership of the Internal Audit Plan. She confirmed that the draft Internal Audit Plan had been considered by the Corporate Management Team on 7th December 2009, in addition to which, specific elements of the Audit Plan had been the subject of discussion with individual Executive Directors in relation to areas of responsibility where they had a lead role. Mrs Ace suggested that the totality of audit days within the plan should be sufficient to enable internal audit to provide the necessary level of coverage and assurance to the Committee.

Members supported a proposition from Mr Sutherland to realign audit team staffing with a reprioritised Audit Plan which may include deferring some audit topics considered to be of a lesser priority.

Mr Gaskin spoke to the outcomes of audit work to date. He confirmed that he was confident that the required audit coverage would be delivered by the year end. He acknowledged issues raised by members about aspects of the report, and undertook to consider further the presentation and form of reporting, such that members could, increasingly, focus on the key issues and concerns and assurances about the way in which they would be addressed.

Mr Gaskin

THE COMMITTEE:

1. Noted the internal audit progress report – quarter 2 (2009/10).
2. Asked to receive a further report.

Mrs Stevenson

7. **BEST VALUE**

The Committee considered a paper on best value.

Mrs Ace reminded members that the Chief Executive, as Accountable Officer, had a duty placed on him by Scottish Ministers to secure Best Value Public Services. She highlighted the definition of the duty of best value, and drew members attention to the appendix to the paper containing secondary guidance issued to the Accountable Officer. She confirmed that many of the structures and processes in place within the Board conformed to these principles and, that the Board format, Committee structure, consultation and business case processes, and the equality and diversity work, all contributed to delivering best value. She advised that, in 2009/10, it was anticipated that the Chief Executive would be required to state in the Statement of Internal Control that there was a framework in place to give assurance that the Board was securing Best Value. She drew members attention to the current draft framework based on the Best Value secondary guidance, and confirmed that the plan was to complete this in time for the Audit Committee meeting in March, and to take a similar paper to the Staff Governance and Clinical Governance Committees, so that they might consider building in Best Value, as appropriate, to their annual assurance letter to the Audit Committee.

THE COMMITTEE:

1. Noted the extant guidance on Best Value
2. Endorsed the suggested framework for obtaining assurance
3. Noted the range of Best Value toolkits being developed by Audit Scotland
4. Asked to receive the completed framework document in March 2010

Mrs Ace
Members

8. **AUDIT SCOTLAND**

The Committee considered a paper on Audit Scotland reports.

Mrs Ace explained that two further reports from Audit Scotland had been received since the previous Audit Committee that there were of interest to health, viz: Improving Civil Contingencies Planning and Scotland's Public Finances: Preparing for the Future. She highlighted the principal recommendations arising from both reports and the Board response to the reports. She advised that the report on Improving Civil Contingences Planning was considered by the Emergency Planning Co-ordination Group in November, and that the self-assessment would be completed at the Group on 28 January 2010. She also confirmed that the information contained in the report on Scotland's Public Finances: Preparing for the Future, had been used as an input to thinking on the financial strategy.

THE COMMITTEE:

1. Noted the publication of Audit Scotland reports on Improving Civil Contingencies Planning and Scotland's Public Finances: Preparing for the Future, and the Board responses to the reports.

Mrs. Ace

9. **AUDIT COMMITTEE SELF ASSESSMENT CHECKLIST**

The Committee considered the Scottish Government Audit Committee handbook – self assessment checklist.

Mrs Ace highlighted the recommendation that Audit Committees periodically review their effectiveness. She explained that the checklist for the Committee was drawn from the Scottish Government Audit Committee Handbook, and confirmed that the factual aspects of the checklist had been considered.

Members worked through the remaining elements of the checklist, noting, in particular, the affirmative response to the assessment question about whether at least one member of the Audit Committee had a financial background. On the basis of discussion, Mrs Ace would finalise the checklist, and would circulate the completed list to members.

Mrs Ace

THE COMMITTEE:

1. The Committee agreed the responses to the checklist questions, and asked to see the completed version.

Mrs Ace

10. FRAUD

The Committee considered a fraud update.

Mrs Holmes highlighted the principal elements of the report, with particular regard to Suspected Fraud Prevention.

Mr Gaskin acknowledged the link with discussion earlier in the meeting about the level and range of fraud, and undertook to have further discussions with Mrs Ace.

Mrs Ace confirmed that a Fraud Risk Register was being developed, and would be brought to the Committee for consideration. She advised that the escalation of fraud and risk in relation to fraud, would be dependent upon materiality.

THE COMMITTEE:

1. Noted the fraud update
2. Asked to receive a further report

Mrs. Ace

11. PRIMARY CARE GOVERNANCE

- i) The Committee considered a Payment Verification Update and Information from NSS Practitioner Services.

Mrs Ace highlighted the position with regard to ophthalmic, dental, pharmacy and medical reports, none of which raised issues of material significance.

Mrs Ace confirmed that post-payment verification arrangements were being taken forward in accordance with the Regulations and Agreements. She confirmed that, on occasions, payments were adjusted on the basis of post payment verification.

THE COMMITTEE:

1. Noted the payment verification update.
2. Asked to receive a further report.

Mrs. Ace

12. **RISK MANAGEMENT STEERING GROUP**

The Committee received and noted the minutes of meetings of the Risk Management Steering Group held on 10th August 2009 and 12th October 2009.

THE COMMITTEE:

1. Noted the minutes of meetings of the Risk Management Steering Group

13. **DATE OF NEXT MEETING**

Tuesday 9th March 2010 at 9am in the Board Room, 14 Beckford Street, Hamilton.

14. **DATES OF MEETINGS DURING 2010**

Tuesday 8th June 2010 at 9.00am

Wednesday 23rd June 2010 at 9.00am (Annual Accounts)

Tuesday 7th September 2010 at 9.00am

Tuesday 7th December 2010 at 9.00am

NA/AD