

**Minute of Meeting of the Audit Committee**  
held on Tuesday 11 September 2007 at 9.30am in the  
Board Room, NHS Board Offices, 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:** Mr P K Corsar, NHS Board Chairman  
Mrs S Goldsmith, Director of Finance  
Mr A Lawrie, Director, South Lanarkshire Community Health  
Partnership  
Mrs L Paterson, Engagement Director, Pricewaterhouse Coopers  
Mr P Woods, Bentley Jennison  
Mrs C McGhee, Risk Manager  
Mrs M Holmes, Internal Audit Consortium  
Mr N J Agnew, Corporate Affairs Manager/Board Secretary  
Mrs F Porter, Management Accountant, Primary Care  
Mrs A Canning, Assistant Director (Health) Public Reporting Group,  
Audit Scotland  
Mr I Armstrong, Project Director (Health) Public Reporting Group,  
Audit Scotland

**APOLOGIES:** Mr H Sweeney, Employee Director  
Mr C Sloey, Director, North Lanarkshire Community Health  
Partnership

1. **WELCOME**

The Chairman welcomed members and attendees to the meeting. He extended a particular welcome to Angela Canning and Ian Armstrong, who were attending to speak to the Committee on the national reporting work of Audit Scotland, and to Fiona Porter, who was attending to speak to the Committee on the Quality and Outcomes Framework element of the General Medical Services Contract.

2. **AUDIT SCOTLAND PUBLIC REPORTING GROUP**

Mrs Canning gave a presentation, covering: the role of the Public Reporting Group within Audit Scotland; how the Public Reporting Group might best engage with Boards, against a backdrop of the survey of Non Executive Directors, which highlighted the need to improve engagement; and examples of work which Audit Scotland wished to discuss, both in relation to the new studies programme and the published reports on Long Term Conditions and Out-of-Hours Services.

She highlighted, for discussion: how Audit Scotland Public Reporting Group could best engage with Non Executive Directors, Executive Directors, Managers and staff to maximise the impact of Audit Scotland work; the studies which were of most interest to the Committee; the way in which the Committee would wish to engage

with Audit Scotland; exploring members' interest in attending Seminars at which national reports were launched; and any additional means by which Audit Scotland might raise awareness of its role and its activities.

In discussion, Mrs Canning acknowledged that, often, the Audit Scotland Press Release, accompanying published reports, set the tone for the way in which reports were received publicly. She stressed that through its Communications' Team, Audit Scotland endeavoured to convey a balanced message publicly, consistent with study findings.

Mr Lawrie acknowledged that the published reports on Managing Long Term Conditions and Primary Care Out-of-Hours Services provided useful reaffirmation of the direction of travel locally. He explained that the response to the reports would be to undertake self-assessments, and to bring back the results to the Audit Committee within 2 months, to provide assurance to members on any material issues that the reports raised.

Mrs Canning acknowledged an issue raised by the Director of Finance around the need for some further clarity about the client, and on the issue of engagement, pre-publication of reports. She explained that Audit Scotland had, in effect, a variety of stakeholders and clients. She advised that, fundamentally, reports produced were to and for the Auditor General, but often raised issues for consideration by the Scottish Government Health Department and for individual NHS Boards. She acknowledged the need to give further consideration to engagement, pre-publication.

Mr Woods suggested that the discussion highlighted the need for further consideration to be given to the linkages between Internal and External Audit and Audit Scotland, including through the identification of a single point of contact for individuals responsible for assurance to revert to. He suggested that there was a need, also, to consider the way in which follow-up of Audit Scotland reports should be managed and by whom. Mrs Canning suggested that this might best be addressed through the External Auditors, with whom Audit Scotland met regularly during the course of the year. Mrs Paterson suggested that this arrangement might usefully be enhanced through the submission of completed action plans in response to Audit Scotland reports to the Audit Committee as part of the assurance process.

Mrs Canning acknowledged the recognition by the Chairman that the Audit Scotland work plan should, to an extent, inform the Audit Committee's focus, and she reminded members that potential Audit topics and the forward study programme for Audit Scotland for the current year had been the subject of consultation with Health Boards and other agencies. This approach would be followed again in the Autumn, in respect of the Audit Scotland study programme for 2008/2009.

Members acknowledged, as helpful, the questions identified by Audit Scotland for Non Executive Directors, which accompanied the recent report on Out-of-Hours Services. It was suggested that the current relationship with Audit Scotland might be enhanced through dialogue between Audit Scotland and Health Boards about the scope and process of Audits at the start of the process. It was suggested that the priority setting by Audit Scotland and the identification of cross-cutting issues, may generate issues that did not accord with local Boards priorities, raising the question of whether and how these issues might be reflected in Boards' Audit programmes. It was suggested, also, that engagement of Audit Committee Members in relation to finalised reports might be enhanced through attendance at the launch events.

Mrs Canning acknowledged the suggestions put forward, and welcomed the opportunity to further strengthen the relationship between local systems and Audit Scotland. However, she highlighted the need to preserve the independent position of the Auditor General. She explained that there was in place, for all Audit Scotland studies, an Advisory Group, the composition of which reflected relevant interests,

including the NHS.

The Chairman reminded members of the existence and contribution of the national Audit Forum, at which the Auditor General had spoken earlier in the year. He stressed members' interest in the issues under consideration by Audit Scotland, particularly with regard to the identification of examples of good practice.

Mrs Canning acknowledged the lead time between field work and publication of reports, and explained that whilst Audit Scotland was working to reduce this as far as possible, the processes leading to publication, which included confirmation of factual accuracy with local systems and the Scottish Government Health Department, limited the extent to which this could be reduced.

The Chairman expressed his and members' gratitude to Mrs Canning and Mr Armstrong for their attendance and for the information shared with the Committee.

#### **THE COMMITTEE:**

1. Noted the presentations on the work of the Audit Scotland Public Reporting Group and on the reports on Managing Long Term Conditions and Primary Care Out of Hours Services.
2. Asked to receive progress reports at a future meeting on the actions arising from the reports on Managing Long Term Conditions and Primary Care Out-of-Hours.

**Director,  
South Lanarkshire  
CHP**

3.

#### **PAYMENT VERIFICATION AND THE QUALITY AND OUTCOMES FRAMEWORK**

The Committee received an in-depth presentation from Fiona Porter on the GMS Contract Quality and Outcomes Framework, encompassing the 4 principal domains of the QOF, viz: Clinical; Organisational; Patient Experience; and Additional Services, and also focussing on the Payment Verification process.

In discussion, Mrs Porter explained that whilst the Quality and Outcomes Framework was a voluntary process, in reality, all Practices and Doctors in Lanarkshire participated, reflecting the position throughout Scotland. She acknowledged an issue raised about confidence that the indicators were reflective of Practices' performance, and explained that the process for the Clinical domain, which was based on hard data, was robust, although there were some elements of the organisational domain which required further refinement.

Members stressed the importance of the quality of the patient experience, and the need to have confidence about the extent to which this was aligned to the data produced. The need was highlighted, also, for confidence that the level of Audit input to the processes was commensurate with the risk.

Mrs Porter explained that there was 5% sampling for the Quality and Outcomes Framework and 3% sampling for other elements, relating to the Global Sum process. She confirmed that the approach to the Quality and Outcomes Framework in Lanarkshire was consistent with that adopted in other Boards. She also confirmed that the process for scoring the performance of the "Keep Well" Practices in Lanarkshire was, essentially, the same as that for the Quality and Outcomes Framework.

The Director of the South Lanarkshire Community Health Partnership acknowledged an issue raised by the Board Chairman about recognition of the shift of workload and resources from the Acute setting to Primary Care, but explained that, currently, accurate measurement of the extent and impact of the shift was not possible; however, the availability of prevalence data informed decisions on the targeting of shifts and resources to particular Practices and areas. He highlighted, also, the contribution of the Enhanced Services Programme under the GMS Contract to the development of services in Primary Care, and explained that this would, substantially, be informed by the availability of robust Quality and Outcomes Framework data.

The Chairman expressed his and members' appreciation to Fiona Porter for her attendance at the Committee, and for the level of detail provided for members.

**THE COMMITTEE:**

1. Noted the presentation on the Quality and Outcomes Framework and the Payment Verification processes.

The Committee also considered a Payment Verification Update in relation to information from NSS Practitioner Services.

The Director of Finance highlighted the position with regard to the provision of Ophthalmic, Dental, Pharmacy and Medical reports from NSS Practitioner Services. She confirmed that there had been no significant issues raised in relation to these reports. She advised that the Pharmacy reports for 2006/2007 had changed significantly, with many items previously being reviewed no longer forming part of the Pharmacy Payments with the introduction of the new Pharmacy Contract. She explained that a national group had been set up to review the Payment Verification process for Pharmacy, and the results of the group's deliberations were incorporated into the reports. She highlighted the position with regard to Payment Verification, and progress with regard to visits to 2 Practices which had exceeded high levels of patients from the Quality and Outcomes process at the end of 2005/2006.

**THE COMMITTEE:**

1. Noted the Payment Verification update on information from NSS Practitioner Services.
2. Asked to receive a further report.

**Director of Finance**

4.

**MINUTES**

There was submitted, for approval and signature, the minute of the meeting held on 27 June 2007.

**THE COMMITTEE:**

1. Approved the minute for signature.

5.

**MATTERS ARISING**

- i) **Revised Scheme of Delegation and Standing Financial Instructions**

The Director of Finance reminded members that the Committee had previously considered a Revised Scheme of Delegation and Standing Financial Instructions. She explained that further work was currently in hand to further refine the delegated limits and the process elements, following which, the revised documents would be submitted to the NHS Board for approval.

**THE COMMITTEE:**

1. Noted the update report on the Revised Scheme of Delegation and Standing Financial Instructions.
2. Asked to receive a further report.

**Director of Finance**

ii) **Medicines Management**

The Director of Finance reported that this issue would be considered by the Health and Clinical Governance Committee at its meeting on 22 October 2007.

The Director of the South Lanarkshire CHP confirmed that there was in place a robust action plan, which currently was being implemented.

**THE COMMITTEE:**

1. Noted the update report on Medicines Management.

iii) **Empower System**

The Director of Finance explained that the majority of the Audit recommendations related to IM&T. Accordingly, an action plan had been agreed with the General Manager for IM&T. She confirmed, also, that the 3, specifically Human Resources issues, were being addressed.

**THE COMMITTEE:**

1. Noted the update report on the Empower System.

6. **GOVERNANCE ISSUES**

i) **Law Sale Update**

The Committee considered a report on the Law Sale update.

The Director of Finance reminded members of the background to the issue, including in relation to Statutory Consents, as defined in the Missives. She explained that Roads Construction Consent and Sewer Authority Consent continued to be progressed, and confirmed that these were procedural, following the granting of Detailed Planning Consent. She reported that the Consortium had already applied for a Building Warrant for the year in which they planned to start works, with sequential applications planned for the current year. She confirmed, also, that the Demolition Consent had already been granted.

She advised that it was still anticipated that Title Transfer would take place as soon as the Roads Construction Consent and the Sewer Authority Consent were received by the Consortium. She advised that ongoing discussions with the Consortium continued, regarding the “allowable deductions” from the price of the land, which were defined and capped as part of the signed Missives. In addition, clarity had been sought on the costs relating to the distributor road, and relevant access to the retained land associated with Law House. Clarification of these issues would allow the Board to agree the final net receipt on receiving Title Transfer. She highlighted, also, an ongoing issue around the level of the Board’s contribution to the Roads Construction, and confirmed that this was being progressed with appropriate legal advice.

**THE COMMITTEE:**

1. Noted the update report on the Law sale.
2. Asked to receive a further report.

**Director of Finance**

ii) **Shared Services**

The Committee considered an update on the National Shared Support Services (NSSS) Project.

The Director of Finance explained that since the last meeting of the Audit Committee, and following presentations and discussion within the local SSS Project Board with NHS Ayrshire and Arran and NHS Tayside, the Corporate Management Team had sanctioned a recommendation from the Area Partnership Forum, to accept NHS Ayrshire and Arran as the Board's preferred consortium partner. She explained the current position nationally, and the current position locally in relation to Shared Support Services. She advised, also, that over the next few weeks, further discussions would take place with representatives of NHS Ayrshire and Arran to develop a formal Service Level Agreement, including discussions on speeding up the timescale for access to the latest version of CedAr, the Board's financial system. Following that process, the detail and outline timetable for the way forward would become clearer. She advised that full costs required to be established, and would reflect a Managed Technical Service, full project and migration costs, and demonstrate value from money through all developments.

**THE COMMITTEE:**

1. Noted the update report on the National Shared Support Service (NSSS) project.
2. Asked to receive a further report.

**Director of Finance**

7. **INTERNAL AUDIT**

The Committee considered a report on Internal Audit activity to 31 August 2007.

Mr Woods highlighted the principal elements of the report, and confirmed that Audit activity had not raised any "limited assurance" issues.

In response to a question from the Chairman, Mrs Holmes confirmed that the Audit programme was on target. She explained that this included a number of Audits which were completed, but where management responses were awaited to enable the finalisation of reports, following which, these would be submitted to the Audit Committee.

The Director of Finance acknowledged the need to ensure that management responses were timely, and undertook to reinforce this requirement, particularly since the availability of the finalised reported was fundamental to Internal Audit's ability to confirm assurance.

**Director of Finance**

Mr Woods acknowledged the need for further clarity about the definitions and application of the assurance levels, and confirmed that this was currently under consideration.

**THE COMMITTEE:**

1. Noted the report on Internal Audit activity to 31 August 2007.
2. Asked to receive a further report.

**Bentley Jennison**

8. **EXTERNAL AUDIT**

i) **Final Annual Report 2006/2007**

The Committee considered the final version of the Annual Report to members (July 2007).

The Chairman reminded members that the report, in draft, had been considered by the Committee at its previous meeting, in addition to which, it had been considered in June and in July, by the NHS Board. He drew members' attention, in particular, to the elements of the report dealing with the Review of Accident and Emergency Services and Cancer Waiting Times.

Mrs Paterson highlighted key elements from the report, including in relation to the Audit process, the financial position, the Law sale and the Quality and Outcomes Framework. She acknowledged that there had been progress in some areas highlighted, and confirmed that the action plan would be followed up as part of the 2007/2008 Audit process, reported to the Audit Committee as part of the finalisation of the Annual Accounts for the year.

**THE COMMITTEE:**

i) Noted the final Annual Report to members 2006/2007.

ii) **Terms of Reference for Review of Accident and Emergency Services**

The Committee considered Terms of Reference for Pricewaterhouse Coopers in providing assurance to the NHS Board in relation to the Accident and Emergency Services Review.

The Director of Finance explained that Pricewaterhouse Coopers was being appointed, because it was considered valuable for the NHS Board to have some form of independent process and financial assurance in relation to the Review, which amongst other things, would take account of the requirement on the NHS Board to apply the fundamental approach of the Green Book. It was envisaged that Pricewaterhouse Coopers would provide an interim view to the NHS Board in September at the point at which the Board considered the submission to the Independent Scrutiny Panel, and a final report in January 2008, when the NHS Board would meet to consider the recommendation to the Cabinet Secretary on a preferred option. She suggested that the Terms of Reference set out were sufficiently comprehensive to enable Pricewaterhouse Coopers to provide the necessary assurance, and confirmed that the timescales, though challenging, were achievable.

Mrs Paterson confirmed that phases 1 and 2 of the PwC remit, in relation to establishment and operation of project management arrangements and option generation and gathering the evidence, were complete, with a focus, now, on the remaining phases 3 – 5, encompassing: analysing the options; scoring the options; and reporting the recommendation.

The Director of Finance confirmed that the reports from Pricewaterhouse Coopers, whilst generated for the NHS Board, would also be brought to the Audit Committee.

**THE COMMITTEE:**

i) Noted the Terms of Reference for the Pricewaterhouse Coopers process and financial assurance remit.

ii) Asked to receive a further report.

**Director of Finance**

9. **RISK MANAGEMENT**

The Committee received and noted Minutes of Meetings of the Risk Management Committee held on 7 May 2007, 4 June 2007 and 2 July 2007.

10. **DATE OF NEXT MEETING**

Tuesday 11 December 2007 at 3.00pm.

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NJA/OD  
11 October 2007