

Lanarkshire NHS Board

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Minute of Meeting of the Audit Committee
held on Tuesday 11 December 2007 at 3.00 pm 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
Mr T Davison, Chief Executive
Mrs S Goldsmith, Director of Finance
Mr I A Ross, Director for Strategic Implementation, Planning and
Performance (for Item 7)
Mrs L Paterson, Director, Government and Public Sector Assurance
(Scotland), Pricewaterhouse Coopers
Mr P Woods, Bentley Jennison
Mrs M Holmes, Internal Audit Consortium
Mr N J Agnew, Corporate Affairs Manager/Board Secretary
Mrs C McGhee, Risk Manager

APOLOGIES: Mr H Sweeney, Employee Director
Mr C Sloey, Director, North Lanarkshire Community Health
Partnership
Mr N Billing, Counter Fraud Services

1. **MINUTES**

There was submitted, for approval and signature, the Minute of the Meeting held on 11 September 2007.

THE COMMITTEE:

1. Approved the Minute for signature.

2. **MATTERS ARISING**

1. **Audit Scotland: Long Term Conditions**

The Committee received and noted the NHS Lanarkshire response to the Audit Scotland report on Long Term Conditions, and noted that this would be considered by the Health and Clinical Governance Committee at its meeting on 17 December 2007.

2. **Audit Scotland: Primary Care Out of Hours Services**

The Committee received and noted the self-assessment checklist for NHS Boards for managing Primary Care Out of Hours Services, and noted that this would be considered by the Health and Clinical Governance Committee at its meeting on 17 December 2007.

3. **GOVERNANCE ISSUES**

1. **Law Sale**

The Committee considered a paper which provided a further update on the sale of the Law site, and outlined the anticipated conclusion of the sale.

The Director of Finance reminded members of the key background issues. She reported on progress with regard to Statutory Consents, which it was anticipated would be granted during December 2007, and progress with Title Transfer, which it was anticipated would be within the current financial year. She reported that on the basis of advice from Counsel, discussions with the Consortium were underway, in order to reach agreement on the level of contribution to be made by NHS Lanarkshire to the costs of the distributor road. She advised that she did not anticipate that this issue would place in doubt the conclusion to the sale within the timescale indicated, nor would it impact on Accrual.

Mrs Paterson advised the Committee that none of the outstanding issues was sufficiently material to cause Pricewaterhouse Coopers to doubt that the sale would proceed as indicated.

THE COMMITTEE:

1. Noted the Update Report on the current status of the Law Sale.
2. Asked to receive a further report.

**Director of
Finance**

2. **Payment Verification Update**

The Committee considered a Payment Verification Update on information from NSS Practitioner Services.

The Director of Finance outlined the position with regard to Ophthalmic, Dental, Pharmacy and Medical reports. She confirmed that there were no significant issues raised in relation to the reports. She also highlighted the key issues in relation to Payment Verification, including in relation to post-payment verification process practice visits, completed and planned, and the outcome of completed visits. She confirmed that all payment verification processes were governed by the recent circular, Chief Executive Letter (2007)12: Family Health Services – Payment Verification Procedures.

THE COMMITTEE:

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

**Director of
Finance**

3. **Shared Services Update**

The Committee considered a National Shared Support Services (NSSS) project update.

The Director of Finance explained that since the last meeting of the Audit Committee, NHS Lanarkshire had formally joined the Consortium led by NHS Ayrshire and Arran, as agreed by the Corporate Management Team, along with NHS Ayrshire and Arran, NHS Dumfries and Galloway, NHS Orkney, NHS Shetland, National Education Scotland and Health Scotland. She advised that the Project Team had submitted to all Health Boards a revised plan for Shared Services, which had been developed in conjunction with the Health Boards. She advised that it was anticipated that, following evaluation of the responses from Health Boards, the revised plan would be formally approved by the National Services Scotland Board by the end of December. She explained that the revised plan set out 2 specific areas of work to be undertaken viz: Foundation Activities and Pathfinder Projects, and confirmed that these would be developed, within Lanarkshire, via the Consortium arrangements. She outlined, for members, the current state of progress with regard to Foundation Activities and Pathfinder Projects.

The Director of Finance reported that a Financial Services Consortium Management Team had been established, to provide strategic direction, advice and support in the delivery of the required services, to monitor and manage risks, and to approve Project Plans and migration strategies. She reported that agreement on the Project Initiation Document was imminent, following which, discussions would take place to develop a formal Service Level Agreement. She advised that the Managed Technical Service to the Consortium would be provided by ATOS, with anticipated significant improvements in day-to-day delivery of the system, compared to current experience, and with recurring costs shared across the Consortium on a concurrent user basis. She stressed that full costs reflected a Managed Technical Service, project and migration costs, and would demonstrate value for money through all developments. She also stressed that the arrangements now being taken forward through the Consortium should reduce the potential for posts to be moved out of Lanarkshire.

THE COMMITTEE:

1. Noted the National Shared Support Services project update.
2. Asked to receive a further report.

**Director of
Finance**

4. PACS/Siemens Contract

The Committee considered a report on the PACS/Siemens contract, with particular regard to the removal of the picture archiving system from the Summit Contract at Wishaw General Hospital.

The Director of Finance explained that NHS Lanarkshire implemented PACS across the system in 2001, via capital investment at both Hairmyres and Monklands, on an annual licence basis, and through embedding it into the main PFI contract with Siemens with Wishaw General Hospital, through Summit Healthcare. She explained that there was now a national imperative to adopt the “National PACS” by late 2008, to be provided by Carestream (formerly Kodak), the contract for which had been agreed nationally. The Director of Finance explained that the commercial arrangements for National PACS were such that NHS Lanarkshire would save approximately £500,000 per annum on the existing recurring cost base. She advised that whilst Hairmyres and Monklands contracts could be cancelled with 12 months notice, the position at Wishaw General Hospital was less straightforward, as there was not a direct “exit” clause within the Summit Contract. Accordingly, negotiations with Summit and Siemens had been started, focussing on a financial compensation sum in

lieu of the contractual commitments. She stressed that NHS Lanarkshire was seeking to minimise the compensation level, whilst recognising the contractual terms and conditions. She stressed also that an assumption around this had been built in to the current year-end forecast position. She highlighted the need for the process of negotiation and compensation with Summit to be subject to scrutiny, and the need for NHS Board approval, given that the compensation payment would, technically, represent a loss.

THE COMMITTEE:

1. Noted the current status of the withdrawal of PACS from the existing NHS Lanarkshire's providers.
2. Asked to receive a further report.

**Director of
Finance**

4.

INTERNAL AUDIT

1. Internal Audit Activity Report on 31 October 2007

The Committee considered a report on Internal Audit activity to 30 November 2007.

Mr Woods explained that the length of the report reflected the substantial levels of audit activity during the period, with a balance between Assurance Audits and Follow-up Audits. He explained that the audit conclusion for all areas was "Adequate" or "Substantial". He highlighted from Appendix A the recorded assurance level of "Adequate/Limited" for the Hairmyres Pharmacy, and advised that, as reflected in the main body of the report, the assurance level given should, in fact, be "Substantial". He explained the intention to continue to further strengthen Audit reporting. He put forward a proposal that future reporting to the Committee should be on the basis of providing full recommendations only in relation to Audit areas where the assurance level given was "Limited".

Members, whilst acknowledging the rationale for the proposition, felt that Audit areas where the assurance level given was "Substantial" or "Adequate", may still raise issues that merited Audit Committee scrutiny. Accordingly, members confirmed that they would wish to continue to receive the recommendations for all Audit areas.

**Bentley
Jennison**

There followed detailed consideration of each Audit area, with material issues being raised as follows:

Waste Management

The reported level of Needlestick injuries was raised as a concern. Mrs Holmes acknowledged this concern. She explained that the occurrence had been within Property and Support Services, and had been the subject of investigation. She confirmed, also, that there was a well-established process and protocol in place for the prevention of Needlestick injuries, and for the investigation of such occurrences. Mrs McGhee confirmed that incidents involving Needlestick injuries were reported quarterly via the Health and Safety Committee arrangements. She advised that, to date, no incidents had involved sero-conversion.

Medical and Clinical Audit

Members noted the materiality of the issues reported, and stressed the requirement for the implementation of the documented actions to be monitored. Mr Woods

**Bentley
Jennison**

acknowledged this view, and undertook to give further consideration to the requirement to revisit this area.

The Chief Executive explained that Medical and Clinical Audit was embedded within the Corporate Objectives, and that the development and maintenance of a Clinical Governance Strategy with supporting structures was included within the Medical Director's personal objectives. He reported that the Clinical Governance Strategy and supporting structures was currently the subject of review, and stressed the requirement to strike the necessary balance in resourcing of Clinical Effectiveness and Clinical Governance. He confirmed, also, that processes were in place to appoint an Associate Director of Clinical Governance, who would carry responsibility as the Head of Clinical Governance, reporting to the Medical Director.

Members noted the position, and welcomed a suggestion from the Chief Executive that the Medical Director should be invited to attend a meeting of the Audit Committee early in 2008, to update the Committee on progress in establishing the Clinical Governance Strategy and supporting structures.

Board Secretary

Mrs McGhee confirmed that the Health and Clinical Governance Annual Report 2006/2007 which, as well as going to the Health and Clinical Governance Committee, would come to the Audit Committee for consideration, was currently being drafted.

Hairmyres Pharmacy

Members expressed a concern at the management comment in response to the second Audit recommendation, which suggested that there might be a resource issue that would require to be addressed.

Mrs Holmes assured the Committee that appropriate arrangements for ensuring that all indents were signed by an Authorised Signatory prior to processing were in place for controlled drugs, and that the Audit finding and recommendations related to the generality of indents.

The Chief Executive stressed that the management focus in this area should be directed to control of the indents, and he suggested that it would be appropriate to invite the Chief Pharmacist to comment further on this issue, including in relation to comparison of the NHS Lanarkshire procedures with those in other large General Hospital sites in other parts of Scotland.

Director of Finance

Mr Woods noted Members' view that an assurance level of "Limited" may have been more appropriate in this Audit area. He explained that for Audit to increase the assurance level would require evidence to be available to Internal Audit that actions had been implemented and that revised procedures were firmly embedded within the system.

Transport Management

In light of Members' expressed concerns about some of the Audit recommendations in this area, the Director of Finance would write to the General Manager of Property and Support Services, to emphasise the requirement for early implementation of actions to address the Audit recommendations.

Director of Finance

Follow-up Risk Management

Mrs McGhee undertook to check and verify the implementation date (recorded as March 2009), for the development of an NHS Lanarkshire Risk Management

Risk Manager

Guidance Manual. She emphasised, however, that there were already in place Risk Management Policies and Procedures, along with established Strategic and Operational Risk Registers, which were the subject of bi-annual review. She confirmed, also, that there were milestones in place towards achievement of the final implementation date of March 2009.

THE COMMITTEE:

1. Noted the report on Internal Audit activity to 30 November 2007.
2. Asked to receive a further report.

**Bentley
Jennison**

2. Executive Summary on Best Value Reviews to 30 November 2007

The Committee considered an Executive Summary on Best Value Reviews to 30 November 2007.

Mr Woods explained that whilst the findings of the Best Value Review of Invoice Queries were, potentially, significant, the Action Plan now in place should mitigate the impact. He acknowledged the requirement, however, to monitor the implementation of the recommendations and the Action Plan.

**Bentley
Jennison**

Mrs Holmes noted Members' comments about the Best Value Review in relation to monitoring of GP Services, particularly with regard to GP Opening Hours, and advised that the control around potential breaches of the GMS Contract should be pursued through the extant arrangements within Primary Care, including the relevant Primary Care Committee. The Board Chairman highlighted the need for this issue to be pursued in order to gain assurance about enforcement.

**Bentley
Jennison**

The Chairman highlighted the need for the Committee to have a stronger sense of the relationship between the Audit inputs to the Reviews and the value of the outputs from the process. He also sought clarification on the process through which issues to be the subject of Best Value Reviews were identified.

**Bentley
Jennison**

Mr Woods explained that the Best Value Reviews were informed by the balance of the Audit Operational Plan, and included an estimate of the number of days required for particular Reviews, and a balance between Best Value and Compliance type Audits. He also explained that the process for the identification of issues to be the subject of Best Value Reviews was customer-led, through requests from Internal Audit for bids against the balance of Audit days, after the allocation of Audit days for compliance type Audits. He acknowledged a suggestion from Mrs Paterson that the addition of some context to the reports, to clarify the materiality of issues, might be helpful to the Committee.

**Bentley
Jennison**

The Chief Executive indicated that for future years it would be appropriate for the Internal Audit endeavour to be increasingly focussed around the efficiency savings targets that the Board was required to deliver. Mr Woods acknowledged this view. He confirmed that utilisation of the Internal Audit resource was a key element of the Internal Audit Plan, and he undertook to consider Internal Audit activity in relation to efficiency savings, once the allocation of Audit days for Assurance had been completed. He acknowledged that the Audit approach should, itself, generate efficiency savings opportunities, and indicated that Bentley Jennison could bring to bear on this requirement, its experience of efficiency measures in other parts of the NHS, including South of the Border.

**Bentley
Jennison**

THE COMMITTEE:

1. Noted the Executive Summary on Best Value Reviews to 30 November 2007.

2. Asked to receive a further report.

**Bentley
Jennison**

5. **EXTERNAL AUDIT**

1. **Draft Audit Approach for 2007/08**

The Committee considered a Draft Audit Approach for 2007/08.

Mrs Paterson highlighted the principal elements of the draft, in relation to: the Code of Audit Practice; the PwC Audit Approach; Key Strategic Challenges and Opportunities Facing NHS Lanarkshire; Transition to International Financial Reporting Standards; the Audit Timetable and Outputs; Audit Fees, and the Audit Team.

In discussion, she explained that the transition to the International Financial Reporting Standards would impact on the Private Finance Initiative (PFI) schemes, insofar as there would be a change in the accounting treatment, bringing them onto the Balance Sheet.

The Director of Finance acknowledged a concern expressed by the Chief Executive about the potential for the system to incur Capital Charges in addition to the Unitary Charge. She explained that SGHD was making representation to the Treasury in this regard, with a view to avoiding excessive additional costs on the system. She confirmed that, in the meantime, work was being taken forward locally on modelling some scenarios as a consequence of this change.

Mrs Paterson acknowledged the key challenge which the system faced in shifting resource to Primary Care. She confirmed that Pricewaterhouse Coopers could expand the relevant section of the Audit Approach, to include a specific reference to the balance in investment between the Acute setting and the Primary Care setting.

**Pricewaterhouse
Coopers**

The Chairman indicated that the Draft Audit Approach should be remitted to the Corporate Management Team for consideration, particularly in relation to Chapter 4 Key Strategic Challenges and Opportunities Facing NHS Lanarkshire.

Board Secretary

THE COMMITTEE:

1. Approved the Draft External Audit Plan 2007/08, and the Audit Fees
2. **Priorities and Risks Framework**

The Committee considered a Priorities and Risks Framework.

Mrs Paterson spoke to the Framework Document. She explained that the Framework was produced annually by Audit Scotland and was used by Pricewaterhouse Coopers, and other Appointed Auditors in discussions with management. She outlined the context and Audit Approach. She explained that the Priorities and Risks Framework formed an agenda for discussion with senior client officers to help Pricewaterhouse Coopers consider the client's arrangements to address the issues and risks identified in the Framework and the impact on the Audit report. She confirmed that Auditors would meet with relevant members of the Management Team to discuss risks, including in relation to Partnership Arrangements and Community Health Partnerships. She advised that these discussions would be supported by PwC's cumulative knowledge and experience of NHS Lanarkshire and a review of relevant evidence, including the reports of other scrutiny bodies and, when combined with specific local issues, would contribute to ensuring that Audit activity could then be targeted to areas of greatest Audit risk.

THE COMMITTEE:

1. Noted the Priorities and Risks Framework.

6. **RISK MANAGEMENT**

1. **Risk Management Steering Group**

The Committee received and noted Minutes of Meetings of the Risk Management Steering Group held on 3 September 2007 and 1 October 2007.

2. **Strategic Risk Register**

The Committee considered a report and an updated Strategic Risk Register.

Mrs McGhee explained that the Risk Register had been developed within 4 key areas of Governance, each with responsible Executive Director(s) viz: Health and Clinical Governance; Financial Governance; Staff Governance; Corporate Governance. She explained that the Risk Register was formally reviewed bi-annually, by the responsible Executive Directors and relevant others, with the last review being undertaken over August and September 2007. She confirmed that a record was maintained of all amendments to the Register and was signed off by each responsible Director and reviewed by the Risk Management Steering Group, which received a monthly report and, where required, amendments to the register were made. She advised that the format of the Risk Register had changed slightly as a result of fully implementing the NHS Quality Improvement Scotland Matrix and Methodology. In addition, the application of this Matrix and Methodology had resulted in some risks now being categorised as “Very High”, rather than “High”, albeit the likelihood and severity remained unchanged.

Mrs McGhee reported that a full review had been undertaken of the Risk Descriptors, Risk Scoring, Controls and Action Plans. She highlighted the key changes noted on the Record of Amendment, and advised that, in general, the Review of Accident and Emergency Services was impacting on the risks dependent on A Picture of Health, either as a control or as an action to mitigate against risk. She confirmed that the programme for the production of an Annual Report on Risk would see the Report produced in June each year and brought to the Audit Committee for consideration in September.

THE COMMITTEE:

1. Noted the report on the Strategic Risk Register.
2. Noted the Risk Register Review and monitoring process.
3. Noted the full implementation of the NHS Quality Improvement Scotland Matrix and Methodology.
4. Noted the updated Risk Register.
5. Noted the key changes identified within the Review period.
6. Asked to receive a further report at a future meeting.

Risk Manager

7. **ANY OTHER COMPETENT BUSINESS**

1. **Airdrie Primary Care Resource Centre**

The Committee considered an update report on Airdrie Primary Care Resource Centre.

The Director of Finance explained that the paper before the Committee had been provided by Currie & Brown UK Limited, as the Project Manager, acting on behalf of NHS Lanarkshire for the development of the Airdrie Primary Care Resource Centre. She advised that it provided a review of the current financial and legal position of the development, following a recent meeting with representatives for the Developers, AWG. She highlighted the key issues that had arisen from discussions and advised that resolution of the issues would enable the Design Services Agreement to be signed by both parties, to allow the next steps in the design process to be undertaken, as well as the preparation of detailed proposals and the submission of Capital Planning Applications. She referred members to the anticipated cash flows associated with the full design phase, detailed in the report before the Committee, and stressed that the financial exposure in the current financial year would not exceed £500,000, assuming that Stage D, viz: the submission of planning applications, was reached by 31 March 2008. She confirmed that this was affordable within the NHS Board approved Capital Budget for the year. She advised that this did not resolve the issue of the delay in the Development Programme, and that further discussion would be required with AWG to explore options to pull back the completion date, if feasible.

The Chief Executive reminded members of discussions and work undertaken to date, towards identifying the priority developments in Primary Care, Mental Health and Learning Disabilities which, although not yet endorsed by the Board, included the Airdrie Primary Care Resource Centre.

The Chairman noted the risk, albeit low, in the Board incurring abortive costs for the development.

The Director of Finance explained that the Committee was being invited to note the position, and advised that she and the Chief Executive had delegated authority to approve the recommended way forward; in effect, incurring the further costs identified to take forward the planning processes.

THE COMMITTEE

1. Noted the signing of the Design Services Agreement.
2. Noted the financial exposure of up to £500,000 in the current Financial Year.
3. Noted the potential delay in completion of the development.
4. Asked to receive a further report.

**Director of
Finance**

8. **DATES OF MEETINGS DURING 2008**

Wednesday 12 March 2008 at 9.00 am.
Wednesday 25 June 2008 at 9.00 am.
Tuesday 9 September 2008 at 9.00 am.
Tuesday 9 December 2008 at 9.00 am.
