

Minute of Meeting of the Audit Committee
held on Wednesday 25 June 2008 at 8.30 am 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
Mr H Sweeney, Employee Director

IN ATTENDANCE: Mr P K Corsar, NHS Board Chair
Mr T Davison, Chief Executive
Mrs S Goldsmith, Director of Finance
Mrs N Mahal, Non Executive Director
Mrs M Nelson, Non Executive Director
Mr I A Ross, Director for Strategic Implementation,
Planning and Performance
Mr C Sloey, Director, North Lanarkshire Community Health Partnership
Mrs L Paterson, Pricewaterhouse Coopers
Mr M White, Pricewaterhouse Coopers
Mrs C McGhee, Risk Manager
Mrs C Potter, Deputy Director of Finance (Corporate)
Mr A Goor, Deputy Director of Finance (Acute)
Mr N J Agnew, Corporate Affairs Manager/Board Secretary
Mrs M Holmes, Internal Audit Consortium

ACTION

1. **WELCOME**

Mr Sutherland welcomed members and attendees to the meeting. He extended a particular welcome to Lyndsay Paterson and Mark White from Pricewaterhouse Coopers and to Carol Potter and Andy Goor.

2. **ANNUAL ACCOUNTS: YEAR ENDED 31 MARCH 2008**

The Committee considered a paper and the draft Annual Accounts for the Year Ended 31 March 2008.

Mrs Goldsmith reminded members of the processes for the approval of the Financial Plan for 2007/08 by the NHS Board, the forecast underlying recurring surplus by 31 March 2008 and the forecast In Year surplus. She highlighted the completion of the External Audit Review in June 2007 and the confirmation, then, of the cumulative surplus from previous years, which brought the forecast cumulative surplus as at 31 March 2008 to £11.932m. She also reminded members of the monthly reporting to the NHS Board and the Scottish Government Health Directorates and to the Acute Operating Division and the North and South Community Health Partnerships Operating Management Committees on performance against the overall Financial Plan and the target cumulative surplus. She highlighted the outcome of the detailed mid-year review undertaken in October 2007, through which a number of recurring and non-recurring cost pressures were identified, along with off-setting additional benefits, and the processes to update the mid-year review on a monthly basis which, in late 2007, had informed decisions to put in place a major programme of general

refurbishment and investment across Primary Care premises, Monklands Hospital and the retained estate at Hairmyres Hospital, encompassing investment in the patient environment and Health and Safety issues.

Mrs Goldsmith reported that a final Year End surplus of £11.785m was achieved at 31 March 2008, to carry forward into 2008/9, and would be required to support the financial challenges facing the organisation over the next few years. She advised that the continuation of Emergency Services on 3 Acute sites, and investment in a range of prioritised Primary Care, Mental Health and Learning Disability facilities, as well as in the infrastructure of Monklands Hospital, would be required. She stressed that this necessary investment required to be viewed in the context of significantly lower levels of uplift than had been seen over recent years, uncertainty over the timing of National Resource Allocation Committee funding, as well as ongoing pay, drugs and service pressures, and the requirement to achieve an ambitious efficient savings target.

Mrs Goldsmith reported that the Board had achieved all 3 financial targets viz: Revenue Resource Limit; Capital Resource Limit; and Cash Requirement. She advised that the underspend of £11.785m against the Revenue Resource Limit included the brought forward surplus from 2006/2007 of £7.961m and, when removed, showed an In Year surplus for 2007/2008 of £3.824m.

Mrs Goldsmith highlighted issues to note, in terms of Balance Sheet Movements, relating to Accruals Provisions and Trade Creditors. She also highlighted elements of the accounts, relating to: Key Documents; Policies Applied in Preparing the Accounts; Other Operating Costs; Specific Items that Accounts must Disclose; Details of Expenditure; Details of Allocations Received; Details of Pay Costs; Losses and Special Payments; and Balances due to/from other Health Organisations and other Public Bodies.

Arising from discussion on Contingent Liabilities, including the Statement on Equal Pay, Mrs Goldsmith undertook to clarify the position with regard to Equal Pay and PFI staff. She highlighted, within the Annual Accounts, Board Members and Senior Employees Remuneration, and stressed that, for the first time, Executive Directors' Salaries now included Employer's Costs.

**Director of
Finance**

THE COMMITTEE:

1. Noted the draft Annual Accounts for the Year Ended 31 March 2008.
2. Noted the In-Year Revenue Surplus of £3.824m.
3. Noted the underspend of £11.785m against a Revenue Resource Limit.
4. Noted the underspend of £0.019m against the Capital Resource Limit.
5. Endorsed the Annual Accounts for submission to the NHS Board for formal approval.

3. **LANARKSHIRE NHS BOARD**

1. **Statement on Internal Control**

The Committee considered a Statement on Internal Control.

Mr Sutherland led members in detailed consideration of the Statement, in the areas of: Scope of Responsibility; Purpose of the System of Internal Control; Risk and Control Framework; Partnership Risk Arrangements; Review of Effectiveness; and Disclosures.

Mr Davison, as Accountable Officer, confirmed the Review of Effectiveness, and that during the Financial Year 2007/2008, there were no significant control weaknesses nor failures to achieve the standards set out in the guidance on the Statement on Internal Control.

THE COMMITTEE:

1. Noted and accepted the Statement on Internal Control.

2. **Audit Certificates for the year to 31 March 2008**

The Committee considered the Independent Auditor's report to members of Lanarkshire NHS Board, the Auditor General for Scotland and the Scottish Parliament.

Mrs Paterson spoke to the Report, highlighting the respective responsibilities of the Board, the Chief Executive and the Auditor, and the basis of Audit Opinions. She advised that, in the opinion of the Auditors, the financial statements gave a true and fair view of the state of affairs of the Board as at 31 March 2008, that the Financial Statements and the relevant part of the Remuneration Report had been properly prepared in accordance with the relevant Act and Directions, and that information which comprised the management commentary included with the Annual Report, was consistent with the Financial Statements. She also confirmed the Auditor's Opinion that, in all material respects, the expenditure and income shown in the Financial Statements was incurred or applied in accordance with any applicable enactments and guidance issues by the Scottish Ministers.

THE COMMITTEE:

1. Noted and accepted the Independent Auditor's report.

4. **EXTERNAL AUDITS FINAL REPORT 2007/2008**

The Committee considered the External Audit Final Report 2007/2008 from Pricewaterhouse Coopers.

Mrs Paterson highlighted the principal issues arising from the Report. She referred members to the chapter dealing with the Audit Process, the Audit Opinion and Accounting Issues, and confirmed that the Audit Opinion was unqualified. She highlighted aspects of the report around, Accounting Issues, relating to New Financial Ledger Management Information; Mis-statements and Significant Audit Adjustments, and an Unadjusted Amount, which the Auditors did not consider material and did not affect the overall Audit Opinion. She highlighted comment within the report on Information Management, which acknowledged the development of a new Information Management Governance structure during the year, but highlighted the need for a detailed Action Plan to address all areas of Disaster Recovery Planning to be drafted, approved and implemented, with clear lines of responsibility and timescales.

Mr White spoke to elements of the Report relating to Financial Targets and Performance 2008 and the Financial Forecast 2008/2009.

Mrs Paterson acknowledged a question from the Chairman about Provisions in relation to Equal Pay. She advised that NHS Lanarkshire, had a relatively high level of Equal Pay claims; however, she acknowledged that, nationally throughout the UK, the deliberations on this issue were at an early stage, and that the eventual impact on NHS Lanarkshire would be dependent upon settlements.

Mr Davison welcomed the Auditor's acknowledgement that many of the business challenges which the Board would face over the next few years, in particular relating to service sustainability and financial management, came from the requirement to maintain Emergency Services on 3 Acute sites.

Mrs Goldsmith confirmed that the Recommendations and Actions within the Report would be progressed through the Audit Committee, beginning with consideration of the issues at the meeting of the Committee in September.

THE COMMITTEE:

1. Noted and accepted the External Audit Final Report 2007/2008 from Pricewaterhouse Coopers.
2. Agreed to give further consideration to the Recommendations and Actions.

**Director of
Finance**

5. DATE OF NEXT MEETING

Tuesday 9 September 2008 at 9.00 am in the Board Room, 14 Beckford Street, Hamilton.

NJA/OD
17 July 2008