

Lanarkshire NHS Board

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Minute of Meeting of the Audit Committee
held on Wednesday 9 September 2008 at 9.00 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 Chairman
Mrs S Goldsmith, Director of Finance
Mrs L Paterson, Pricewaterhouse Coopers
Mr P Woods, Bentley Jennison
Mrs M Holmes, Internal Audit Consortium
Mr N J Agnew, Corporate Affairs Manager/Board Secretary

APOLOGIES: Mr T Davison, Chief Executive
Mr C Sloey, Director, North Lanarkshire Community Health Partnership
Mrs C McGhee, Risk Manager

ACTION

1. **MINUTES**

The Minutes of the meetings held on 11 June 2008 and 25 June 2008 were submitted for approval and signature.

THE COMMITTEE:

- i) Approved the Minutes for signature.

2. **MATTERS ARISING**

1. **Annual Accounts 2007/2008**

Members noted the circumstances arising from the change to the reporting of Board Members' remuneration which, in the case of the Employee Director had led to double counting, inappropriately inflating his remuneration for the year.

THE COMMITTEE:

- i) Noted the position.
- ii) Asked that the presentation of information about Board Members' remuneration be verified for future years. **DoF**

2. **Catering Report**

Mrs Goldsmith advised that at its meeting on 4 September 2008 the Corporate Management Team had considered a report on follow-up action to the Best Value report. Subject to further developments, including in relation to charging for non-

staff meals, the report would be considered further by the Corporate Management Team and would be brought to the Audit Committee for consideration at its meeting on 9 December 2008.

THE COMMITTEE:

- i) Noted the update on the Catering Report.
- ii) Asked to receive a report on the progress of actions on 9 December 2008. **DoF**

3. **Information Governance**

Mrs Goldsmith and Mr Agnew explained the context for a substantial review of Information Governance arrangements, the product of which would be reported to the NHS Board in October.

THE COMMITTEE:

- 1. Noted the report on Information Governance.

4. **Internal Audit Strategy**

Mr Woods reported that following agreement on the 3 Year Strategy, the Corporate Management Team wished to have further dialogue specifically about Years 2 and 3 of the Strategy, specifically to ensure that it was appropriately focussed on assurance and the identification of the scope for further efficiencies.

THE COMMITTEE:

- i) Noted the update on the Internal Audit Strategy.
- ii) Asked to receive a further report in December. **Bentley Jennison**

3. **STANDING FINANCIAL INSTRUCTIONS AND SCHEME OF DELEGATION**

The Committee considered updated Standing Financial Instructions incorporating a revised Scheme of Delegation.

Mrs Goldsmith explained that these documents, last updated in 2007 and approved by the Committee on 11 September 2007, had been further updated to reflect changes since then across the organisation, both in terms of roles and responsibilities and how the organisation operated. She confirmed the involvement of the Deputy Directors' of Finance in the process and the consideration of the revised documents by the Corporate Management Team. She reported that there was no material change to the Standing Financial Instructions and that key sections had been reviewed and updated by the Head of Procurement, the Head of the Property and Support Services Division and the Financial Controller to reflect changes in terminology and/or changes in Government Policy. She reported, also, that in reviewing the Financial Scheme of Delegation, it became clear that responsibility for all areas for which the Board had accountability was an important consideration in determining some aspects of financial responsibility; therefore, rather than prepare a Financial Scheme of Delegation only, the document before the Committee encompassed a wider remit and should enhance the overall Governance Framework. She confirmed that the Corporate Management Team had reviewed the proposed Scheme of Delegation, ensuring that the lead Executive Director for each area of responsibility was correct and that values assigned were reasonable.

In discussion, issues were raised for clarification, as follows.

- The limit for which formal tendering procedures would not be applied for building an Engineering Services should be less than £100,000, consistent with the Committee's previous decision.
- The General Manager for Procurement would be asked to clarify the procedures in place for other supplies less than £10,000.
- The need for rigour around decisions on exclusion from tendering where, ordinarily, tendering would apply.
- The likely availability of electronic tendering to the service.
- The appropriate procedures to follow in relation to instances of "fraud" and "theft".
- The need to reflect weekly payments to Nurse Bank personnel.
- Business Cases with a value in excess of £5m should be approved by the NHS Board.
- Business Cases with a value in excess of £2.5m should be approved by the Property Committee.
- Business Cases with a value below £2.5m should be approved by the Capital Investment Group.
- The appropriateness of an upper financial limit for approval by the Corporate Management Team.

Members noted that the Freedom of Information Publication Scheme was accessible on the Board Public Website, and that Retention and Disposal Guidelines would be explicitly addressed in the review of Information Governance Arrangements previously referred to.

Members raised an issue about the level of delegated financial authority to the Community Health Partnerships, and noted the detailed scrutiny applied to financial performance, both by the Operating Management Committees and by the NHS Board through the routine reporting arrangements that were in place.

Mrs Holmes explained that the Standing Financial Instructions should be viewed within the context of an extant National Model Framework for Standing Financial Instructions.

The need was highlighted for the Standing Financial Instructions and the Scheme of Delegation to be cascaded, such that they would be known and understood by all relevant individuals across the system. The Director of Finance would revise the documents accordingly to reflect the issues raised in discussion, and would circulate the revised version to members for any further comment, prior to their submission to the NHS Board for approval.

THE COMMITTEE:

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| i) | Approved the revised Standing Financial Instructions and Scheme of Delegation, subject to further amendment to reflect the issues raised in discussion. | DoF |
| ii) | Asked to receive a further report on the procedures for obtaining competitive quotations for other supplies less than £10,000. | DoF |
| iii) | Asked to receive a further report on arrangements for the cascade of the Standing Financial Instructions and Scheme of Delegation. | DoF |
| iv) | Agreed that, subject to further amendment, the Standing Financial Instructions and Scheme of Delegation should be submitted to the NHS Board for approval. | DoF |

4.

GOVERNANCE ISSUES

1. Law Sale Update

The Committee considered an Update Report on the sale of Law.

Mrs Goldsmith highlighted the principal issues in relation to progress regarding Statutory Consents and progress with Title Transfer. She outlined the position with regard to the continued interest of both developers and reported that the Missives had been revised with a new long-stop date of mid January 2009. She highlighted the need to recognise the impact of the very challenging market conditions and explained that, for this reason, consideration was being given to Provision within the current year's Financial Plan should Title Transfer not actually be achieved. She would discuss the latter issue with Pricewaterhouse Coopers. She also confirmed that she would discuss with the Director of Finance at the Scottish Government Health Department the approach to be adopted at the Financial Year End.

THE COMMITTEE:

- i) Noted the update on the Law Sale.
- ii) Asked to receive a further report.

DoF

2. Payment Verification Report and Quality Outcomes Framework

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

Mrs Goldsmith highlighted the principal issues in relation to the Contractor stream reports and advised that there were no issues of concern raised by the Payment Verification process to date.

She reminded members of the agreement that the Director of the South Lanarkshire Community Health Partnership, accompanied by the Associate Medical Director and the Deputy Director of Finance for Primary Care, would address the Committee to provide further explanation and assurance about the payment processes for the General Medical Services Contract and the Quality and Outcomes Framework. She proposed that this issue be addressed at the Committee's meeting in December. Members were content with this proposal.

DoF

THE COMMITTEE:

- i) Noted the Payment Verification Update.
- ii) Asked to receive a further report.

DoF

3. Shared Services Update

The Committee received and noted a Project Update, encompassing: the current position nationally and locally; the current position with regard to the Consortium, and the next steps, including close working between the Consortium Team and the providers of the Managed Technical Service, to ensure that the improvements in day-to-day delivery of the system compared to the previously locally managed service continued to be achieved.

4. PACS/Siemens Contract

Mrs Goldsmith reported on the progress of the matter, including discussions with the Director of Finance at SGHD about delegated authority to make payments to Siemens. She confirmed that the implementation of PACS was moving forward.

THE COMMITTEE:

- i) Noted the update on the PACS/Siemens Contract.
- ii) Asked to receive a further report.

DoF

5.

INTERNAL AUDIT

The Committee considered a report on Internal Audit activity to 31 August 2008 and a report on Property Transactions 2008/2009.

Mr Woods highlighted the principal issues from the reports, and confirmed that the Internal Audit Plan was on track for delivery. He explained the context for the Audit Report on Property Transactions and confirmed that based on the examination of the control structures and the procedures in place, it was considered that the system provided substantial assurance that objectives were met.

Mrs Goldsmith reminded members of the decision at the Inaugural Meeting of the Property Committee on 30 July 2008 that the Property Transactions Handbook would be the subject of an indepth presentation to the Property Committee.

Members highlighted the audit of Patients' Funds at Hartwoodhill, Hattonlea and Coathill, and whilst welcoming the assurance level given, expressed strong concerns about the audit findings given the previous audit of this area, the report on which highlighted many similar issues to those which featured in the current report. They stressed the requirement for concerted management action to ensure that the recommendations highlighted were resolved as a matter of urgency, and that robust procedures were put in place to ensure that, once addressed, these issues did not re-occur.

Mrs Holmes reported that the responsible Executive Director had established a Procedural Group specifically to address the issues highlighted by members. She also explained that the discharge of the Board's supervisory responsibilities under the Adults with Incapacity Act, including the annual check, should strengthen the assurance framework.

Mr Woods acknowledged that the reporting of audit findings to the Committee should, routinely, include an indication of previous Audits where the findings had a bearing on the current report. He suggested that a way forward could involve the development of a standard set of assurance statements making reference in the cyclical programme of audit to previous relevant audit findings.

**Bentley
Jennison**

Mrs Holmes confirmed that the Internal Approach routinely included follow-up to confirm the implementation of audit recommendations.

Mr Woods and Mrs Holmes would together consider the comments and concerns raised by members, and would bring back to the Committee in December firm proposals to address the issues highlighted.

**Bentley
Jennison**

Mrs Goldsmith would report the Committee's concerns, specifically in relation to the audit of Patients' Funds, to the Corporate Management Team.

DoF

THE COMMITTEE:

- i) Noted the report on Internal Audit activity to 31 August 2008 and the Audit Report on Property Transactions 2008/2009.
- ii) Asked to receive further reports, including on the issues highlighted in discussion.

**Bentley
Jennison
DoF**

6. **EXTERNAL AUDIT**

Mrs Paterson reported that Audit Scotland had passed the Board's Annual Accounts 2007/2008 to the Scottish Government Health Department, which signalled commencement of the process for the Annual Accounts to be laid before Parliament.

In response to a question from the Chairman about the use of Audit Scotland reports, she explained the PwC approach to the Audit Scotland Priorities and Risks Framework and the Audit Scotland Overview Report.

In a wider discussion about the organisation's response to Audit Scotland reports, the Board Secretary explained the work that was in train, as part of the review of Performance Management and reporting arrangements, involving an assurance stocktake of the organisation's response to legislation and other national documents, including reports from Audit Scotland and NHS Quality Improvement Scotland. This would include the development of reporting arrangements that would capture the receipt and the response to such documents, including the implementation of actions that were specifically relevant to NHS Lanarkshire. He acknowledged the Committee's particular interest in Audit Scotland reports, and explained the intention that these, accompanied by a report from the responsible Executive Director on the system response and actions, would be brought to the Audit Committee at the earliest opportunity. Members confirmed their agreement with this approach.

THE COMMITTEE:

- i) Noted the report on External Audit.
- ii) Asked to receive a further report, including in relation to the Assurance stocktake of national documents.

**DoF
Board Secretary**

7. **RISK MANAGEMENT STEERING GROUP**

The Committee received and noted the Minutes of Meetings of the Risk Management Steering Group held on 2 June 2008 and 7 July 2008.

8. **ANY OTHER COMPETENT BUSINESS**

- i) Susan Goldsmith

The Chairman reminded members that Mrs Goldsmith would leave her post at the end of October to take up a new position as Director of Finance with Lothian NHS Board. He acknowledged Mrs Goldsmith's contribution to the NHS in Lanarkshire during her time as Director of Finance and, in particular, her contribution to the work of the Audit Committee. He extended his and members' best wishes to her for success in her new role.

9. **DATE OF NEXT MEETING**

Tuesday 9 December 2008 at 9.00 am.

10. **DATES OF MEETINGS DURING 2009**

The Board Secretary would circulate proposed dates for meetings of the **Board Secretary** Committee during 2009.

NJA/OD 15 September 2008