

**MINUTES OF MEETING OF THE AUDIT COMMITTEE
GOLDEN JUBILEE NATIONAL HOSPITAL
HELD ON 14 JUNE 2007 AT 10.00AM**

Present: Donald McNeill (DM) - Chair
Peter Ramsay (PR) - Non executive Director
Hilary Mounfield (HM) - Non Executive Director

In Attendance: David Watt (DW) - KPMG
Ally Taylor (AT) - KPMG
Joanne McWilliams (JM) - PWC
Alan Gray (AG) - PWC
Julie Carter (JC) - Director of Finance
Jill Young (JY) - Chief Executive
Lindsay Burley (LB) - Chair, NWTC Board
Lily Bryson (Lily B) - Assistant Director of Finance

Minutes: Joan Coleman

1 Apologies: Ken Thomson, Non-Executive Board Member

2 MINUTES FROM PREVIOUS MEETING:
Minutes approved

3 MATTERS ARISING:
INTERNAL AUDIT PwC (PROGRESS REPORT):

The workshop held on 7 June for Senior Managers in relation to governance arrangements and the role of internal and external audit showed a good turnout and was well received.

Counter Fraud Services

Work in progress. No response received to date from CFS.

4 INTERNAL AUDIT PwC- PROGRESS REPORT:

Three low risk findings in relation to IT General Computer Controls were identified:

- (i) the need to review and update the Board's eHealth strategy
- (ii) undertake a review of the IT Business Continuity Plan
- (iii) carry out a planned review of all IT supplier contracts.

DM advised, William Edwards (WE), Head of eHealth carried out a presentation at the last Board meeting and the Board are satisfied with progress. JY advocated other departments visiting WE to see the performance framework his department are using.

Corporate Governance Arrangements

Significant progress has been made by the Board in implementing and embedding corporate governance arrangements and a number of areas of good practice were identified.

During the course of the review eight findings were identified, three of which were classed as medium priority:

- (i) the need to ensure good practice is shared
- (ii) management review of the Performance and Planning Group to ensure that it meets the Board's objectives in terms of undertaking management oversight and monitoring of performance
- (iii) Each directorate should produce a Directorate Plan using a consistent template

Board performance reports are now being presented and discussed at Board meetings in line with the approved performance framework. This will come to the NWTC Board.

5 INTERNAL AUDIT(PwC) – 2005/06 FOLLOW UP REPORT

Of the 18 recommendations made in 2005/06, 16 were fully implemented at the time of the review and a further 2 recommendations were in progress with no recommendations not yet implemented:

- (i) management information on nursing activity
- (ii) discharge planning

The significant efforts by management to implement these recommendations was highlighted.

6 INTERNAL AUDIT(PwC) – STATEMENT ON INTERNAL CONTROL REPORT:

Two areas were identified as requiring further development:

- (i) Development of Directorate Risk Registers
- (ii) Updating of Standing orders and Standing Financial Instructions

JY confirmed she is happy with the content of this report and for DM as Chair to sign it.

7 INTERNAL AUDIT (PwC) - ANNUAL REPORT

One high priority risk was identified in respect of Estates management. Formal tendering procedures were not followed in accordance with the Board's SFIs and improved controls have been put in place. DM stated he would have preferred to see how many incidences of standing orders were breached. AG stated this could be provided as only a sample was chosen. PR asked JC how many were breached. JC advised only a few, none in material actual value and there are no fraudulent issues. DM asked if £20,000 is a reasonable threshold. It is dependent on the capital expenditure but the Auditors feel this is fairly normal.

8 EXTERNAL AUDIT (KPMG) – REPORT TO THOSE CHARGED WITH GOVERNANCE:

No major differences in terms of matters to be resolved. The audit process between management and auditors has gone relatively smoothly. There are two adjustments which were processed during the audit, the Statement of provision against bad debt and the adjustment in relation to leased costs. Auditors are comfortable with these adjustments.

The Report concludes with a draft of the audit opinion and draft of the representation letter which JY will sign off once the Board has considered. The committee are being asked if they are comfortable with the assessment and JC advised points picked up will be actioned. DM commented that the Auditors' opinion of the statements give a true and fair view.

9 EXTERNAL AUDIT (KPMG) – ANNUAL AUDIT REPORT:

In draft at present and once the Board has considered financial statements and opinion this will be signed off and converted to final format and forwarded to Audit Scotland forming the basis for their overview report.

The previous report looked at process and some adjustments and key issues are contained in this report. PWC raised two issues in their report last year:

- (i) inconsistencies between the fixed asset register and the physical assets held by the hotel
- (ii) capitalisation thresholds for Hotel and Hospital assets

This is no longer an issue.

VAT:

Management are engaging advice to support and take this forward.

Equal Pay:

This is of great significance across the Health Service and the CLO are working on a national approach to the situation. Although this is being monitored, DW stated there may be some degree of financial exposure in the coming year in relation to the potential impact. JY asked why this was graded 2 as she understood this was being addressed. LB is unsure this should be graded 2 which she feels remains an external threat and not relating to our performance. The issue of endowments was highlighted as there is potential for change with the transfer of services. The Board received £21,000 of donations and other receipts which should be dealt with in accordance with the Charities and Trustees Investment (Scotland) Act 2005. Management should prepare a framework for the management and reporting of endowments.

The only remaining issue on governance is in relation to the financial position as Audit Scotland require some degree of commentary on the financial position in the report.

Performance Management Arrangements:

Actions have been taken during the year but there are still some areas which require management attention. Observations have been made in relation to some of these areas and once progressed, the potential risk to the Organisation will be reduced. DM is assured that recoverable VAT is due to HM Revenue and Customs and not Contractors within the public sector. DW will amend the report.

Action: DW

10 ANNUAL REPORT AND ACCOUNTS:

Nothing in particular to highlight. The Audit Committee recommend approval to the Board.

11 STATEMENT OF THE AUDIT COMMITTEE TO THE BOARD:

LB recorded thanks to the Auditors and to DM in his last post as Chair of the Audit Committee.

DM responded by giving thanks to both internal and external Auditors and to JY and LB during his time as chair.

12 AOB:

DATE OF NEXT MEETING: 6 NOVEMBER 2007 AT 10.00AM