

**MINUTES OF THE AUDIT COMMITTEE HELD
ON THURSDAY 2 DECEMBER 2010 AT 1.30PM
IN THE BOARDROOM, THE CUMBERLAND
INFIRMARY, CARLISLE**

Present: Mr M Evens, Non Executive Director (Chair)
Mr M Bonner, Non Executive Director
Mr P Day, Non Executive Director

In Attendance: Mr M Little, Trust Chairman
Mr A Mulvey, Director of Finance
Mrs R Duguid, Company Secretary
Mrs C McAdams, Head of Internal Audit
Mr W Pinkerton, (shadowing Mrs C McAdams)
Ms H Green, Audit Commission
Mr E Gardiner, Associate Director of Finance
Mrs J Lynch, Office Manager (minute taker)

AC69/10 WELCOME AND APOLOGIES FOR ABSENCE

Apologies for absence were received from Mrs J Cooke and Ms J Bellard.

AC70/10 MINUTES OF THE PREVIOUS MEETING

The minutes were agreed to be correct.

AC71/10 MATTERS ARISING AND ACTION PLAN

Action Plan:

All amended actions will be found on the separate action plan.

Matters Arising:

- a. **Ascribe Report:** page 5 of the September minutes.

Mrs Duguid had met with Ms Stephanie Preston, Divisional General Manager and had discussed the recommendations. Ms Preston would look into the recommendations and report back to the Trust via the Divisional Quarterly Review meeting.

b. **Medicines Management Update**

Mrs Duguid updated committee members on the issue relating to the recording of medicines management training for non medical staff. Mrs Duguid had met with Mr Brown and Mrs Platton to take this forward and it has been identified that there is a broader issue associated with mandatory training. Mrs Duguid added this issue onto the Corporate Risk Register and Internal Audit would be asked to do a piece of work on this item.

c. **Deep Cleaning Update**

Mrs Duguid had discussed this issue with Mr Davidson and Internal Audit. Specific guidance had been issued regarding the audit and this has been used to set the terms of reference for the audit by Internal Audit. Mr Evens questioned the external assurance on this aspect and was informed that the statutory guidance stated that this would be picked up through ongoing monitoring through the PEAT annual audits/reports.

d. **Risk Register**

Mrs Duguid informed members that, mandatory training had been added to the Corporate Risk Register. The Committee further discussed including internal audit issues on the risk register where necessary. Mrs Duguid confirmed that this needed to be progressed as part of developing the Risk Register.

AC72/10 **GOVERNANCE**

a. **Governance Update Report**

Mrs Duguid reported to members on the progress against delivering the programme of work to support the achievement of the committee's terms of reference. Mrs Duguid asked the committee to:

- note the exception reporting on areas off track and agree any further action as necessary.
- note the governance updates in relation to Breast Screening and the Redfern inquiry report .
- agree the phasing of reports to ensure the forward plan outlined in the Audit Committee Annual Report 2009/10 is achieved.

The committee members discussed the report and the following key points were noted.

- Ref 1.5: it was agreed that with the development of the Finance Committee, the financial reporting of the Trust was now fulfilled. It was felt that the Finance Committee should prepare an annual report on their activities to provide further assurance to the Audit

Committee outlining key issues and considerations.. Mr Mulvey and Mr Day agreed with this.

- Ref 2.2: Mrs Duguid further informed members that she had been working with the Head of Governance on the compliance aspect and they were currently working on the Trust Policy for external visits by regulatory bodies.
- The role of Internal Audit as part of the assurance process was discussed. Mrs McAdams informed members that the Internal Audit plan of work would be brought to the Audit Committee February 2011 and there was scope to look at the overall template for key audit areas, linking into item 2.2 on the annual cycle of work.
- Ref 3.2: Following the recommendations from the Redfern report an update would be brought to a future Audit Committee on the local Mortuary audit/Pathology arrangements to give members assurance on this area.
- Ref 4: Committee members were asked to give feedback to Mrs Duguid on the Forward plan section of the report.
- Ref 5.3: Mrs Duguid informed the committee that this item was off track due to the work ongoing to improve the overall management and impact of the clinical audit function within the Trust. Discussions have also taken place to ensure triangulation of activities between the Audit Committee, the clinical audit function and the Governance and Quality Committee. It was noted that regular reporting on clinical audit should be done through the regular divisional reporting through to the Governance and Quality Committee. However, it was also noted that the Audit Committee had a clear role to play in satisfying itself that appropriate and effective systems are in place around the planning, delivery and action delivery from the clinical audit function. Mrs Duguid confirmed that this is explicit in the audit committee handbook.

Action: Governance Update Report

1. Mr Mulvey and Mr Day to update the Audit Committee at the end of the financial year of any issues arising from the finance committee and reporting to the Board.
2. Following the recommendations from the Redfern report an update would be brought to a future Audit Committee on the local Mortuary audit/Pathology arrangements to give members assurance on this area
3. Members to give feedback to Mrs Duguid on the Forward Plan section of the Governance Update Report

b. **Outstanding Audit Recommendations Report**

Mrs Duguid presented the outstanding audit report to the committee members. This document had been discussed in detail at the July meeting and the current document noted the progress since then. The key points relating to the report were noted:

- Some of the outstanding actions have been given new dates to allow the work to continue. Formal letters will be done notifying individuals of the new time frame they have to work to.
- External Audits have been included into this report and would be monitored to ensure actions were undertaken.
- The next report on this item would go to the Audit Committee in February 2011.
- Mrs Duguid would check the numbers in the graphs as there was a discrepancy in the numbers. Mrs McAdams reported that this may be to follow up audits that have actions reinstated where they had previously been removed.
- It was noted that there remains red and amber actions in the IT Business continuity plan. It was agreed that the Director of IM&T would be requested to provide on the outstanding actions to the February meeting.
- Concerns regarding safeguarding children were being looked at and Mrs Duguid to ensure that it linked to the next Governance Committee meeting.

The report was noted.

Action: Outstanding Audit Actions

1. Mrs Duguid to send formal letters to individuals, regarding outstanding audit actions, informing them of the new time frame they have to work to.
2. Mrs Duguid to check the numbering on the graphs to ensure that it is correct.
3. The Director of IM&T to give a report or attend the meeting in February to update on the red and amber actions in the IT Business continuity plan.
4. Mrs Duguid to ensure that the safeguarding concerns were linked to the next Governance Committee meeting

- The Trust should look at a more formal agreement, looking at what the Trust requires, in relation to what it receives and consider alternative options around delivery of this service in the future
- To meet separately with the Director of Finance to determine future arrangements and the timescales for any proposed changes, including formally tendering the service.

Action: Internal Audit arrangements
Mr Mulvey to meet with the Non Executive Director members to discuss the Internal Audit Arrangements, with a report being produced for the April 2011 Audit Committee meeting

AC74/10 EXTERNAL AUDIT

a) **External Audit Briefing and Progress Report**

Ms Green gave details to committee members on the progress of work undertaken by external audit. Key points were noted:

- The work on the 2010/11 financial statements and VFM conclusion would commence in December 2010.
- The 2009/10 audit was now complete. The Annual Audit letter had been presented to the Board in October 2010 and the 2009/10 ALE assessment would be discussed as a separate agenda item.
- The Audit Opinion plan would be reported at the February 2011 Audit Committee meeting.

The report was noted.

b) **2009/10 ALE Report**

Ms Green informed members that there had been a delay in issuing this report due to ongoing discussions with the Trust regarding the financial standing score element of the report. The report showed that the Trust had maintained performance in most areas in 2009/10 and there was evidence of improvement in some areas. However, there were some areas where there had been a decline in performance.

Ms Green further went on to report that in the year 2010/11 there would be no ALE assessments carried out, but the Audit Commission would continue to inform the Trust about any alternative work that would be agreed with the Department of Health. At the present time there were no indicators of anything else replacing the ALE assessment. The Audit Commission would continue to give their statutory VFM conclusion on the arrangement. This would be part of the Annual Governance Report which would be issued in June 2011.

The committee went through the report in detail. Mr Evens raised a concern in relation to the wording in the document around the Board approving the 2010/11 budget without there being robust plans for the CIP target which had to be delivered. Ms Green confirmed that it was

felt that the CIP plans should have been made in advance of the Board approving the budget.

Mr Evens further questioned the financial savings options in relation to refinancing the PFI contract. Mr Mulvey explained about the contracting issues with the PFI and requested Ms Green to inform him regarding other Trusts that have made significant savings refinancing their PFI contracts. Ms Green agreed to feedback to Mr Mulvey on this.

Action: PFI savings

Ms Green to report back to Mr Mulvey and give details of other Trusts who had made significant savings refinancing PFI contracts.

AC75/10 INTERNAL AUDIT

a) **Internal Audit Progress Report**

Mr Day requested that in future reports a summary could be provided without losing the main thread of information required. Mrs McAdams informed members that she would do this for future. The members discussed the options as follows:

1. The Audit Committee Chairman to receive full internal Audit Reports, with a summary report and action plan being presented at the Audit Committee meeting.
2. All committee members to receive the full reports, but only a summary report and action plan to be presented to the Audit Committee meeting.

Following detailed discussion it was agreed that the Audit Committee Chairman would receive the full reports but that a summary report would be presented at the Audit Committee meetings. Mrs Duguid and Mrs McAdams would meet to discuss the detailing required for the summary reports.

Mrs McAdams went through the internal audit progress report in detail, updating committee members on information relating to individual reports. The key points are noted:

- Information Technology report on Business Continuity and Disaster Recovery: The report covered the fundamental systems, not all IT systems. Significant assurance was given relating to the direct control of IT, but limited assurance was given in relation to the business continuity arrangements.
- Planning of Medical Staff Leave: Significant assurance was given in relation to effective planning and management of junior doctors leave, but limited assurance was given in relation to

systems and processes for management and recording of Consultants and other specialty doctors leave.

Mr Mulvey informed members that there was a programme of work underway looking at all aspects of the governance arrangements for medical staff including mandatory training, CPD, appraisal and the management of leave.

- Appraisal System: The Trust has a well designed system which provided significant assurance; however there was insufficient coverage of the system across the organisation resulting in a limited assurance for its operational delivery.

Mrs Duguid expressed her concern relating to the scope of the audit work undertaken on the appraisal system and will pick this up with the Director of Human Resources. Mr Evens expressed his concern that this report had not included involvement of staff members, and had relied on the staff survey information. Mrs McAdams reported that this had occurred due to a mixture of both Internal Audit and management determining that the staff survey information would be adequate, along with the time allocated to doing the work on the report.

The committee members held a further discussion on the relevance of staff members being able to progress up the pay scale, and even go through the 'gateways', without having appraisals, as it was felt it was the Trust's fault if appraisals had not been held, and staff should not be penalised. It was agreed that the Director of Human Resources should be invited to the next meeting to update on the actions from the report.

- Sickness Absence Management Report: Significant assurance has been given in relation to the recording of sickness absence is robust and supports the effective management of staff attendances. Limited assurance is given around the aspect of compliance as changes to the policy that will ensure more effective resolutions to absences have not been in place long enough to have allowed any 'testing'.

Mrs McAdams informed members that this report would be followed up.

- Clinical Audit: Limited assurance has been given overall.

Committee members discussed the report in detail as it was felt there was a lot of work to be done to improve the interaction of Clinical Audit within the Trust. Members agreed that this item should be re-discussed at the Audit Committee in February as part of the Internal Audit Plan, and the Medical Director should attend the Audit Committee meeting in September 2011 to update members on the work that had progressed.

- Professional Registration: Significant Assurance has been given in relation to the systems and process for monitoring, validating and managing the professional registrations of its clinical employees. Limited Assurance was given in relation to non substantive staff and management of professional registration arrangements.

Mrs Duguid reported that she would discuss this area with the Director of Human Resources and report back to members before the next Audit Committee meeting.

- Accounts Payable (Creditors): Significant Assurance was given that year to date controls are present, adequate and operating correctly.

Mr Evens expressed his concern that in the absence of Mr Birtle, who was on sick leave, actions and issues relating to this report were not being picked up. Mr Gardiner would pick up these actions.

- Accounts Payable; specific to use of Contract Taxis. Limited assurance is given that controls designed to mitigate risks to the organisation are present, adequate and operating effectively.
- Financial Management and Budgetary Control: Significant Assurance that the systems of financial management and budgetary control reflected good practice. Significant assurance was also given for the monthly budgeting reporting. Limited assurance was given in relation to the predicted year end surplus being achieved.

Mr Evens questioned 2 of the recommendations that had been previously not been agreed and which now showed that they were still not agreed. Mrs McAdams agreed to remove these from the report.

- CIP: Limited Assurance was given in relation to the achievement of the overall cost improvement plan, although it was noted that with the formation of the QIPP team and the Finance Committee there were robust systems and process now in place, and if the work continued as it was currently doing, there was the potential for the assurance level to be improved to significant.

The report was noted.

Action: Internal Audit Progress Report

1. Mrs Duguid and Mrs McAdams to meet and discuss the detailing required for the summary reports that would be presented at future Audit Committee meetings.
2. Appraisal Internal Audit Report: Mrs Duguid to pick up with the Director of Human Resources her concerns around the objective of the appraisal internal report and the work undertaken.
3. The Director of Human Resources to be invited to attend the next meeting to update members on the progress of actions against the Appraisal Internal Audit report.
4. The Clinical Audit internal audit report to be discussed at the February Audit Meeting as part of the Internal Audit Plan.
5. The Medical Director to be invited to attend the September Audit Committee meeting to update members on the progress of actions in relation to the Clinical Audit Internal Audit Report.
6. Mrs Duguid to discuss the area of limited assurance in relation to the Professional Registration Internal Audit report with the Director of Human Resources and report back to members before the next Audit Committee meeting.
7. In the absence of Mr Birtle, Mr Gardiner to ensure that actions relating to the Accounts Payable (Creditors) report are actioned.
8. Financial Management and Budgetary Control: Mrs McAdams to remove the two recommendations that were showing not agreed previously and still not agreed.

b) **Assessment against NHS Internal Audit Standards**

Mrs McAdams updated members on the self assessment against the new NHS Internal Audit Standards. This had taken place to identify any areas that required action to ensure compliance with the mandatory standards applying to Internal Audit. The Internal Audit team had undertaken this at a meeting in July and reviewed each standard for compliance. Out of the 105 standards, 95 were fully met, 8 were partially met and 2 were not met. An action plan was created for those items needing improvement and these will be monitored at team meetings, by the Consortium Board and an update will be given in the Annual Report to the Audit Committee. Mrs Duguid questioned the timescales on the action plan to which Mrs McAdams replied that there were various timescales but that they all fitted into the Audit Committee timetable for each trust.

The report was noted.

c) **Internal Audit Charter**

Mrs McAdams presented the Internal Audit Charter to members. This document is a formal document that defines the internal audit activity's purpose, authority and responsibility. It replaces the existing Internal Audit terms of reference and is required in accordance with the new NHS Internal Audit Standards. Following the self assessment

undertaken, it was noted that the existing terms of reference needed to be amended to take account of all the requirements expected by the new standards.

Mrs Duguid questioned how this document would be taken forward. Mrs McAdams reported that the document would be presented to the Audit Committee and then it was up to the Trust how it would be taken forward

The document was approved by the Audit Committee.

AC76/10 LOCAL COUNTER FRAUD SPECIALIST (LCFS)

a) Local Counter Fraud Specialist Report

Mrs McAdams updated committee members on the progress of counter fraud activities completed against the approved workplan. The key points were noted:

- The LCFS plan was currently behind schedule but Mrs McAdams assured members that all plans would be delivered within the timescales.
- An additional member of staff had undertaken and passed the LCFS course and would now be able to help the department to deal with any future issues.
- The Trust participation in the Audit Commission NFI continues in line with the timetable. Data submission took place in early October.
- An investigation was currently taking place relating to a Trust member of staff. A verbal update was given at the meeting on this case and further updates would be given if appropriate. The committee discussed the various aspects of this case in relation to publicising the case, but no formal decision was made.

AC77/10 ANY OTHER BUSINESS

a). Audit Committee Dates 2011/12

The audit committee dates for 2011/12 were discussed. Mr Gardiner questioned the April meeting date as he felt it was too close to the end of year accounts. It was agreed that Mr Gardiner would source the dates in relation to the accounts and inform members if the meeting date required amending.

Action: 2011/12 Meeting Dates:

Mr Gardiner to check the dates in relation to end of year accounts and inform committee members if the April meeting date needed amending

AUDIT COMMITTEE ACTION LIST MEETING DECEMBER 2010

DATE OF MEETING: 2/12/2010

ACTIONS OUTSTANDING

Minute Point Reference	Details of Action agreed	Action by whom	Timescale	Progress
July 2010				
AC52A/10	Outstanding Audit Actions a. Mrs Duguid to enhance the summary sheet and include external audit recommendations in the report. b. The audit report to include external audit recommendations c. The report to have the actions that are not relevant now removed, with explanations given as to the removal.	Ramona Duguid Ramona Duguid Ramona Duguid	December 2010 December 2010 December 2010	Complete Complete Complete
September 2010				
AC63/10	Private Patient's pricing policy: An update report to be presented at the end of the financial year to the Finance committee on the income relating to Private Patients.	Eric Gardiner	Finance Committee meeting March 2011	Complete – Action placed onto agenda for Finance Committee meeting
AC65/10	Internal Audit Progress Report: a. Mrs McAdams to discuss the CIPFA consultation document "The Role of the Head	Cheryl McAdams	December 2010	Complete

ACTIONS OUTSTANDING

Minute Point Reference	Details of Action agreed	Action by whom	Timescale	Progress
AC72b/10	<p>Outstanding Audit Actions</p> <ol style="list-style-type: none"> 1. Mrs Duguid to send formal letters to individuals, regarding outstanding audit actions, informing them of the new time frame they have to work to. 2. Mrs Duguid to check the numbering on the graphs to ensure that it is correct. 3. The Director of IM&T to give a report or attend the meeting in February to update on the red and amber actions in the IT Business continuity plan. 4. Mrs Duguid to ensure that the safeguarding concerns were linked to the next Governance Committee meeting. 	<p>Ramona Duguid</p> <p>Ramona Duguid</p> <p>Alistair Mulvey</p> <p>Ramona Duguid</p>	<p>February 2011 meeting</p> <p>February 2011 meeting</p> <p>February 2011 meeting</p> <p>December 2010</p>	
AC73a/10	<p>Bad debt – sponsorship not recovered Mr Gardiner to find out the details of the sponsorship payment that had been unrecoverable and inform members.</p>	<p>Eric Gardiner</p>	<p>February 2011</p>	
AC73b/10	<p>Internal Audit arrangements Mr Mulvey to meet with the Non Executive Director members to discuss the Internal Audit Arrangements, with a report being produced for the April 2011 Audit Committee meeting</p>	<p>Alistair Mulvey/Non Executive Directors</p>		

ACTIONS OUTSTANDING

Minute Point Reference	Details of Action agreed	Action by whom	Timescale	Progress
AC74b/10	<p>PFI savings Ms Green to report back to Mr Mulvey and give details of other Trusts who had made significant savings on their PFI contracts</p>	Heather Green	February 2011	
AC75a/10	<p>Internal Audit Progress Report</p> <ol style="list-style-type: none"> 1. Mrs Duguid and Mrs McAdams to meet and discuss the detailing required for the summary reports that would be presented at future Audit Committee meetings. 2. Appraisal Internal Audit Report: Mrs Duguid to pick up with the Director of Human Resources her concerns around the objective of the appraisal internal report and the work undertaken. 3. The Director of Human Resources to be invited to attend the next meeting to update members on the progress of actions against the Appraisal Internal Audit report. 4. The Clinical Audit internal audit report to be discussed at the February Audit Meeting as part of the Internal Audit Plan. 5. The Medical Director to be invited to attend the September Audit Committee meeting to update members on the progress of actions in relation to the Clinical Audit Internal Audit Report. 	<p>Mrs Duguid/ Mrs McAdams</p> <p>Mrs Duguid</p> <p>Mrs Duguid</p> <p>Cheryl McAdams</p>	<p>February 2011</p> <p>February 2011</p> <p>February 2011</p> <p>February 2011</p> <p>September 2011</p>	

ACTIONS OUTSTANDING

Minute Point Reference	Details of Action agreed	Action by whom	Timescale	Progress
	<p>6. Mrs Duguid to discuss the area of limited assurance in relation to the Professional Registration Internal Audit report with the Director of Human Resources and report back to members before the next Audit Committee meeting.</p> <p>7. In the absence of Mr Birtle, Mr Gardiner to ensure that actions relating to the Accounts Payable (Creditors) report were picked up and actioned.</p> <p>8. Financial Management and Budgetary Control: Mrs McAdams to remove the two recommendations that were showing not agreed previously and still not agreed</p>	<p>Mrs Duguid</p> <p>Eric Gardiner</p> <p>Mrs McAdams</p>	<p>February 2011</p> <p>Immediately</p> <p>Immediately</p>	
AC77b/10	<p>2011/12 Meeting Dates: Mr Gardiner to check the dates in relation to end of year accounts and inform committee members if the April meeting date needed amending</p>	Eric Gardiner	January 2011	