

**MINUTES OF THE AUDIT COMMITTEE HELD
ON TUESDAY 20 SEPTEMBER 2011 AT 9:00AM
IN THE BOARDROOM, CUMBERLAND
INFIRMARY, CARLISLE**

- Present:** Mr M Evens, Non Executive Director (Chair)
Mr M Bonner, Non Executive Director
- In Attendance:** Mr A Mulvey, Director of Finance
Mr E Gardiner, Associate Director of Finance
Mrs R Duguid, Acting Director of Governance/Company
Secretary
Mr M Little, Trust Chairman
Mrs C McAdams, Head of Internal Audit
Ms J Bellard, Audit Commission
Mr M Thomas, Director of IM&T (Minute Point 58/11 only)
Mr A Butcher, Acting Head of Procurement (Minute Point
59/11 only)
- Mrs J Lynch, Office Manager (minute taker)

**** Please note that these minutes have not been checked by the Chair of the Committee.**

AC55/11 WELCOME AND APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr P Day, Non Executive Director, Mrs J Cooke, Non Executive Director and Ms Gina Martlew, Audit Commission Representative.

Mr Evens informed members that due to the amount of Trust business to discuss at the meeting, he anticipated that members would have read all the reports prior to attendance at the meeting, so each report would be discussed briefly so that time could be given to any questions. Members agreed to this.

AC56/11 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting were noted to be a correct record.

AC57/11 MATTERS ARISING AND ACTION PLAN

a) **Action Plan:**

See separate action plan.

b) **Matters Arising:**

There were no matters arising

AC58/11 UPDATE ON THE IT BUSINESS CONTINUITY PLAN

Mr Mark Evens welcomed Mr Mark Thomas to the meeting and informed members of the background of the request for Mr Thomas to attend the meeting, to assure members on the IM&T Business Continuity plan.

Mr Thomas informed members of the background to the way the Trust dealt with Business Continuity and Disaster Recovery in relation to Information systems.

The current Disaster Recovery Plan has controls in place to ensure it is up to date and only designated staff members can evoke the plan. Monitoring of this plan is through Information Governance. Testing is done yearly with both on site and off site testing. Over the past 18 – 24 months the Trust has been working on moving away from Disaster Recovery to Business Continuity, whereby the CIC site and WCH site replicate each other. Completion of all virtual applications will be covered by the Business Continuity Plan, PAS and PACS systems will be covered by the Disaster Recovery plan. Work is continuing in this area; a set of tests should be finalised by the end of October and will be reported to the Information Governance Board. This work will cover all three Trusts managed by North Cumbria Informatics. Links were also being established into Barrow, Lancaster and other community hospitals so that county wide business can be continued should a connection be lost.

Mr Bonner questioned the length of time it would take to resolve a problem should a system fail to which Mr Thomas replied that the expectation would be a couple of hours.

Mr Evens questioned the PAS and PACS systems and why they would remain within the Disaster Recovery plan. Mr Thomas stated that PAS had its own server which was duplicated on both sites, and PACS was maintained by a national server. Mr Thomas also informed members that backup tapes were stored off site should problems occur.

Mr Evens questioned how departments that had stand alone systems would be covered. Mr Thomas informed members that those departments would be subject to their own departmental recovery plan, but Informatics was also looking at moving some business critical systems to a central store. Mr Mulvey also informed members that departments/wards would also revert to paper systems should electronic systems go down, and any information stored on paper would then be inputted into the electronic system once restored.

Mrs McAdams informed members that Internal Audit would be doing a follow up audit at the end of this year and this would show up any areas of concern.

Mrs Duguid highlighted some issues that had been picked up following an SUI that had been called at the WCH site, following power failure. This was due to be discussed in greater detail at the Governance Committee that was meeting after the Audit Committee.

Mr Evens thanked Mr Thomas for his verbal update and Mr Thomas left the room.

AC59/11 PROCUREMENT STRATEGY UPDATE

Mr Evens thanked Mr Butcher for attending the meeting and updated members on the background to the request for Mr Butcher to attend this meeting. Members introduced themselves to Mr Butcher.

Mr Butcher informed members of his surprise that the Trust did not have a Procurement Strategy when he started working in the Trust, as it was widely used elsewhere. He explained that his predecessor had found it difficult to cover 3 organisations, but the Trust was now stand alone, as both the Partnership Trust and NHS Cumbria had moved their services to Morecambe Bay. This had allowed the Trust to become more focused on its own service provision. The department had undergone a lot of changes recently and was working more proactively.

Mr Butcher informed members of the details of the procurement strategy, the purchasing policy and the departmental turnaround plan which the department have been working on for a period of time. Members had a detailed discussion in relation to the new Trust procurement system, the electronic ordering of goods and the creation of the electronic catalogue which is being expanded over time.

Mr Butcher further informed members of the expansion of the role of materials management and how the procurement staff were working with the divisions, wards and departments to ensure that stock kept was sufficient for needs without over stocking, or duplication of stock.

Mr Little questioned if the Department of Health had any guidelines in relation to the procurement strategy. Mr Butcher informed members that there was very little guidance from the Department of Health; there were principles in relation to the commissioning of services but it was left to local decision on implementation.

Mr Bonner questioned the write off of active drugs, as this was an item that the Audit Committee was frequently asked to write off, and if there was a better way to manage these items better to reduce wastage. Mr Mulvey informed members that these drugs were made up in house to specific request for specific patients, and normally related to cancer drugs. Due to the amount of different chemicals required to make up these prescriptions there would always be wastage, and these drugs normally had a short life span. Mr Mulvey also stated that tablets that were bulk bought go out of date, but he felt that this was an item for discussion with Mr Bill Glendinning, Head of Pharmacy rather than Mr Butcher. Members agreed that Mr Glendinning should be invited to a future meeting to discuss this aspect.

Mr Butcher went on to inform members of the Procurement Cards which he wished to incorporate into the Trust. Members discussed this and it was agreed that Mr Butcher should take this item through the Corporate Recovery Board route.

Mrs McAdams reported that Procurement was not on this year's audit plan so it was agreed that Mr Butcher should report back to the Audit Committee to further update on procurement achievements early next year.

Mr Evens thanked Mr Butcher for his verbal update and Mr Butcher left the room.

Action: Procurement Update:

- a. Mr Bill Glendinning to be invited to the November Meeting to discuss write off of drugs and medicines management
- b. Mr Butcher to be invited to attend the Audit Committee early in 2012 to further update members on the procurement work being undertaken

AC60/11 UPDATE ON THE ACTIONS FROM THE CLINICAL AUDIT INTERNAL AUDIT REPORT

Mrs Duguid updated members on the outstanding audit actions in relation to the Clinical Audit Internal Audit report. Mrs Duguid reported that the Trust had appointed a Clinical Audit Manager who had been working on particular projects for the past few months to ensure the clinical audit strategy was tied up with governance. Mrs Duguid further reported that work was ongoing in relation to the number of recommendations within the report, but she asked members to note that this work was also part of the overall governance review, and her expectation was this work would be fully embedded by the end of October 2011.

Mr Mulvey questioned the local clinical audit and how it linked to the issues the Trust was facing. Mrs Duguid replied that the historically this was a weak area but that accountability is now through the Divisions and the performance had now increased in that area.

Mr Little questioned the timeframe for the recommendations in the report as he noted that they were all key pieces of work. Mrs Duguid informed members that she expected the recommendations to be in place by the end of the current financial year.

The report was **noted**.

AC61/11 UPDATE ON NICE GUIDELINES

Mrs Duguid verbally updated committee members on the NICE Guideline outstanding recommendations. Mrs Duguid reported that the Trust had done a lot of work in this area. Clinical Audit was working with the Divisions in regards to the NICE audits recommendations and the new governance structure once in place will also help this area. Mrs Duguid

noted that the register of interventional procedures was a weak area and was a priority to address within the Trust.

Mr Evens questioned if a follow up audit would be done. Mrs McAdams informed members that this audit was a follow up audit; Mrs Duguid and Mrs McAdams spoke frequently but Internal Audit would revisit this area again in the future. Mrs Duguid agreed that it would be prudent for Internal Audit to give assurance on a number of key areas and for this to be done at the end of the year.

The report was **noted**.

Action: Update on Nice Guidelines: Internal Audit to revisit this area at the end of the year and look at what progress has been achieved
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AC62/11 OUTSTANDING AUDIT RECOMMENDATIONS 2008/09, 2009/10, 2010/11 AND 2011/12

Mrs Duguid informed members that both Mrs McAdams and she had met on two occasions to give assurance on the actions. They had reviewed all the actions and in some cases had changed some green actions back to amber where they had felt the comment had not been appropriate to the recommendation. Mrs Duguid asked members to note that a considerable amount of the actions were blue and related to the governance review. She further asked members to note that the outstanding action from 08/09 would hopefully be finalised by December and would then be removed, leaving 2009/10 onwards to work with. Mr Evens reported that there was a significant improvement in the report.

Mr Bonner questioned the payroll audit Recommendation 1 as he felt that the answer did not relate to the recommendation. Mr Gardiner replied that the SLA had been shared with both organisations and changes had been made but the signatures were still awaited, and therefore the action remained amber. Mr Bonner requested that the scaling on the graphs of the front cover sheet be amended so that the scale was the same on all. Mr Bonner further requested that there be a cover sheet on future copies of this report. Mrs Duguid agreed to these requests.

Mrs Duguid thanked Mrs Lynch for the administration of this document, to which Mr Evens also gave his thanks and stated that the report showed the pace of change in the organisation.

The report was **noted**.

Action: Outstanding Audit Actions: a. Graphs to be amended so that they all have the same scale. b. The document to have a cover sheet for future meetings.

AC63/11 ACTION PLAN FROM THE EXTERNAL ASSURANCE OF THE TRUSTS QUALITY REPORT

Mrs Duguid informed members of the work that had been undertaken to ensure the Trust was working within the timelines set to achieve the necessary actions. Mr Bonner questioned Mrs Duguid on the confidence she had that the timelines would be met, to which Mrs Duguid responded that she had absolute confidence; the timescales were tighter, but it was a key priority for the Trust.

Members discussed the timescale and it was agreed that the action date be moved forward.

The report was **noted**.

Action: Action plan from the External Assurance of the Trusts Quality Report: The action dates to be moved forward to ensure the Trust meets the target date.
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Mr Evens requested a change to the agenda and asked members to look at the Integrated Strategic Risk Register and Assurance Framework report next. Members agreed to this.

AC64/11 INTEGRATED STRATEGIC RISK REGISTER AND ASSURANCE FRAMEWORK

Mrs Duguid updated members on the current status of the Integrated Strategic Risk Register and Assurance Framework. Mrs Duguid informed members that a lot of work had been done within the Trust to improve the overall position on the recording of risks and monitoring of risk registers. The Trust now had one system for recording of all risks (Ulysses) and risks are categorised as either operational or strategic. Mr Mulvey requested that the Assurance Framework contained the top 5 – 6 risks the Trust faced and the current position.

The Trust Board is updated on a quarterly basis on the strategic risks; both current risks, added risks and those that have been removed since the last report seen.

Members went through the report in detail and commented on areas where they thought changes needed to be made to the report. Mrs Duguid noted their comments.

Mr Bonner questioned the acquisition process and noted that he would be seeking further assurance around the overall process delivery.. Mr Mulvey and Mrs Duguid informed members that this area was part of the Board Development session to be held in September.

The Report was **noted**.

AC65/11 EXTERNAL AUDIT UPDATE REPORT

Ms Bellard briefly discussed the report and asked members for their comments and questions.

Mr Evens asked Ms Bellard if there were any observations in relation to the Trusts Cost Improvement Plans, to which Ms Bellard informed members that other Trusts had plans in place which were implemented from April 2011.

Mr Bonner asked if the Trust had been benchmarked against any other organisation. Ms Bellard reported that our Trust had a more challenging task this year, and that other organisations had some easier gains that could be achieved than our Trust, but was unable to give specific examples.

Mr Mulvey reported that the Trust had achieved more in the past year than other organisations; the problem lay with the Trust not doing enough in the past and we were doing things now that other organisations had already done.

The report was **noted**.

AC66/11 FEEDBACK FROM THE AUDIT COMMITTEE SURVEY

Ms Bellard informed members of the background to the report. Members noted that the report showed where significant disagreement or 'don't knows' had been reported. Members discussed the report in detail and the following key points were noted:

- If members feel they have any issues or are lacking in any area relating to their being a member of the Audit Committee, they should discuss this with Mr Mark Evens.
- Members felt some of the questions in the survey were ambiguous and open to misinterpretation.
- Members discussed whether this item should be debated collectively at a future meeting so that all members were of the same understanding in relation to the questions, but it was felt that there would not be the time in a meeting for this to take place.
- Ms Bellard to send the full report to members with topic headings.
- Mr Evens to include the information from this report as part of the Audit Committee Annual Report. Any member with other suggestions for areas to be included in the Annual Report to let Mr Evens know.

The report was **noted**.

Action: Feedback from Audit Committee Survey:

- a. Any member who feels they have any issues or are lacking in any area relating to their being a member of the Audit Committee, should discuss this with Mr Mark Evens.
- b. Ms Bellard to send the full report to members with topic headings.
- c. Mr Evens to include the information from this report as part of the Audit Committee Annual Report.
- d. Any member with suggestions for areas to be included in the Annual Report to let Mr Evens know

AC67/11 INTERNAL AUDIT PROGRESS REPORT

Mrs McAdams updated members on the following reports:

- Care Quality Commission Regulations and Outcomes: Significant assurance was given that the Trust had in place controls to identify, collect and review evidence requirements and that it is using a wide range of internal and external review mechanisms to meet this challenge.
- Recruitment: Significant assurance was given that risks within the recruitment system were adequately controlled at both operational and strategic level.
- IG Toolkit Series 500 & 600: Limited assurance was given that the IG Governance toolkit self-assessment for secondary user services and records was sufficiently evidenced at level 2 as scored in the Trusts self-assessment. This was not necessarily due to processes and procedures not being in place, but rather that the evidence submitted did not reflect fully all the work that was being done.

Mr Evens stated that a number of areas of concern related to NHSLA level 2. Mrs Duguid informed members that the Trust had done a lot of work in this area, but further work was ongoing in embedding organisational clinical governance and this would help the Trust to achieve NHSLA level 2.

Mr Mulvey informed members that the Trust had to be at IG level 2 by the end of March 2012.

- Bank Working Hours: Limited assurance was given that there was sufficient control in place to minimise the risk to patient care from staff not adhering to the Working Time Directive guidelines. It was recognised that the vast majority of nursing managers acted with the best of intentions to resource wards to the recommended level. It was possible that this pressure would continue to be further exacerbated by the recent requirement to minimise the use of bank staff.

Mr Bonner voiced his concern relating to this report and Mr Mulvey informed members that he would ask the Acting Director of Nursing to

feedback on the issues within the report. Mrs McAdams reported that the Trust was taking prompt action on this issue.

- PFI 2010/11: Significant assurance was given that there were adequate systems of control over payments due under the PFI contract and also that reviews had been carried out on the operation of the project agreement – covering both value testing and identifying savings on the contract.

Mr Evens questioned the lifecycle aspect, information from the PFI provider and value for money aspects as they did not appear in the report. Mrs McAdams informed members she would have to check on the original scope of the report and would update members on this.

It was noted that 2 draft reports had been issued but that the final agreement was still awaited.

The report was **noted**.

Action: Internal Audit Progress Report:

- a. Bank Working Hours Report; The Acting Director of Nursing to update members on the issues within the report relating to staffing.
- b. PFI 2010/11: Mrs McAdams to check on the original scope of the report in relation to lifecycle, information from the PFI provider and value for money aspects and update members.

AC68/11 LCFS PROGRESS REPORT

Mrs McAdams presented the LCFS progress report 2011/12. Members noted that more awareness presentations were being carried out across the Trust and that this was already resulting in increased contact with the LCFS for advice on potential frauds.

The report was **noted**.

AC69/11 ANNUAL ACCOUNTS ACTION PLAN

Mr Gardiner informed members of the details of the 'wash up' process undertaken as part of the post year end accounts submission and an update on the actions agreed with External Audit. Mr Gardiner reported that questionnaires had been emailed out to staff members and responses received. Following this the responses had been condensed and actions given to appropriate staff members. Ms Bellard reported that she was happy with this process.

The report was **noted**.

AC70/11 PFI AUDIT

Mr Gardiner updated members on the details of the accounting treatment the Trust intended to follow for PFI Life Cycle Costs and how it complied

with Department of Health guidance, IFRS and the Trusts own accounting policies.

Mr Gardiner reported that the Trust proposed to test the methodology prior to the year end by obtaining the life cycle cost information from the PFI Provider. The assets are likely to be revalued in year and this would help overcome the issues raised in the 2010/11 audit. The proposed methodology is still to be agreed with external audit and will be discussed over the coming months.

The report was **noted**.

AC71/11 **DONATED ASSETS**

Mr Gardiner presented the report on the updated accounting treatment of donated assets.

Due to the time scales of the meeting it was agreed that the report be taken as **noted**.

AC72/11 **FINANCE PAPER Q1**

Mr Gardiner updated members on the losses, special payments and bad debts incurred in Q1 2011/12. The total losses and special payments paid out in quarter 1 amounted to £1,036 and the total bad debts identified for write off amounted to £415.50.

Mr Gardiner updated members on the previous bad debt that the Audit Committee had not approved, in relation to a salary overpayment. Mr Gardiner reported that the doctor had been traced and contact had been made. The doctor is challenging the amount owed and this had been looked into by Payroll. A reminder had been sent to the doctor and Mr Gardiner hoped that this would be concluded before the next Audit Committee meeting, but if the doctor failed to pay it would be re-referred to the debt collection agency.

Mr Bonner questioned the dental treatment required by a Trust employee and Mr Gardiner informed members that he would circulate the relevant details.

The report was **noted** and the committee **approved** the write off of debts.

Action: Finance Paper Mr Gardiner to send members the background information relating to the payment of dental treatment for a member of staff

AC73/11 **WHISTLEBLOWING POLICY**

The information received from Mr Gallagher was **noted**.

AC74/11 ANY OTHER BUSINESS

Annual Report

Mr Evens reported that he would bring the Audit Committee Annual Report to the next meeting for discussion

Action: Any other business: Mr Evens to bring the Audit Committee Annual Report to the next meeting for discussion

AC75/11 DATE AND TIME OF NEXT MEETING

Tuesday 22 November 2011 at 9am in the Boardroom, Cumberland Infirmary, Carlisle

AUDIT COMMITTEE ACTION LIST MEETING SEPTEMBER 2011

Minute Point Reference	Details of Action agreed	Action by whom	Timescale	Progress
December 2010				
AC72a/10	Governance Update Report. 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	Ramona Duguid	September 2011 Amended date November 2011	Complete – agenda item November 2011 meeting
February 2011				
AC06/11	Internal Audit Progress Report 1. WCH Car parking report: Mr. Bonner and Mrs McAdams to discuss the tabular data as it did not match the numerical data in the text.	Mrs McAdams	May 2011. Revised Date July 2011	Complete. Issues had been discussed and resolved. New car parking policy currently going through the formal route. Follow up audit to continue as planned but to also do a new audit once the policy is in place and being adhered to.

SEPTEMBER 2011

AC59/11	Procurement Update: a. Mr Bill Glendinning to be invited to the November Meeting to discuss write off of drugs and medicines management b. Mr Gardiner to update Mr Butcher on the Trusts write off of drugs. c. Mr Butcher to be invited to attend the Audit Committee to further update members on the procurement work being undertaken	Jean Lynch Eric Gardiner Jean Lynch	November 2011 November 2011 April 2012	
AC61/11	Update on Nice Guidelines: Internal Audit to revisit this area at the end of the year and look at what progress has been achieved	Cheryl McAdams	December 2011	
AC62/11	Outstanding Audit Actions: a. Front sheet of report to be amended so that the scaling of the graphs was the same on all graphs. b. The document to have a cover sheet for future meetings	Ramona Duguid Ramona Duguid	January 2012 January 2012	
AC63/11	Action plan from the External Assurance of the Trusts Quality Report: The action dates to be moved forward to ensure the Trust meets the target date	Ramona Duguid	November 2011	

AC66/11	<p>Feedback from Audit Committee Survey:</p> <ol style="list-style-type: none"> Any member who feels they have any issues or are lacking in any area relating to their being a member of the Audit Committee, should discuss this with Mr Mark Evens. Ms Bellard to send the full report to members with topic headings. Mr Evens to include the information from this report as part of the Audit Committee Annual Report. Any member with other suggestions for areas to be included in the Annual Report to let Mr Evens know. 	<p>All</p> <p>Jacky Bellard</p> <p>Mark Evens</p> <p>All</p>	<p>November 2011</p> <p>November 2011</p> <p>November 2011</p> <p>November 2011</p>	
AC67/11	<p>Internal Audit Progress Report:</p> <ol style="list-style-type: none"> Bank Working Hours Report; The Acting Director of Nursing to update members on the issues within the report relating to staffing. PFI 2010/11: Mrs McAdams to check on the original scope of the report in relation to lifecycle, information from the PFI provider and value for money aspects and update members. 	<p>Alistair Mulvey</p> <p>Cheryl McAdams</p>	<p>November 2011</p> <p>November 2011</p>	
AC72/22	<p>Finance Paper</p> <p>Mr Gardiner to send members the background information relating to the payment of dental treatment for a member of staff</p>	<p>Eric Gardiner</p>	<p>November 2011</p>	
AC74/11	<p>Any Other Business</p> <p>The Audit Committee Annual Report to be discussed at the next meeting</p>	<p>Mark Evens</p>	<p>November 2011</p>	