

**MINUTES OF THE AUDIT COMMITTEE HELD
ON MONDAY 18 JULY 2011 AT 9:00AM IN THE
BOARDROOM, CUMBERLAND INFIRMARY,
CARLISLE**

Present: Mr M Evens, Non Executive Director (Chair)
Ms J Cooke, Non Executive Director
Mr M Bonner, Non Executive Director

In Attendance: Mr A Mulvey, Director of Finance
Mr E Gardiner, Associate Director of Finance
Mrs C McAdams, Head of Internal Audit
Ms J Bellard, Audit Commission
Ms G Martlew, Audit Commission
Ms L Corlett, Acting Divisional General Manager for
Surgical Division (Item AC45/11 only)
Mr D Gallagher, Director of Human Resources and
Workforce Development (Item AC46/11 only)

Mrs J Lynch, Office Manager (minute taker)

AC42/11 WELCOME AND APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr P Day, Non Executive Director and Mrs R Duguid, Director of Governance/Company Secretary.

AC43/11 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held 2 June were noted to be a correct record. The minutes of the meeting held 7 June were noted to be a correct record with the following amendments:

In attendance list: to remove Ms H Green, Audit Commission and to include Ms J Bellard, Audit Commission.

Minute point 35/11: paragraph 12, to be removed and replaced with 'Mr Evens thanked everyone for their input and questioned whether the external Auditors had received sufficient information to enable them to give an unqualified opinion on the Statement of Internal Control when amended to reflect the above discussion'.

Minute point 36/11: paragraph 3, to be removed and replaced with 'Ms Bellard informed members that following the discussion held at this meeting that the issue with the Head of Internal Audit Opinion report had

now been resolved. Ms Bellard further stated that she would amend her Governance Report to reflect the changes made to the SIC to make reference to mandatory training and medicines management issues as significant control issues’.

Minute point 37/11: paragraph 3, final sentence to be removed and replaced with ‘Ms Bellard reported that there had been discussions with management and agreement reached that lifecycle costs would remain as capital for the 2010/11 accounts’.

Minute point 38/11: paragraph 5 to be removed and replaced with ‘Mrs Cooke requested that the report by exception be amended with a change of wording and Ms Bellard agreed to change the wording to say none following additional disclosure of the significant control issues in the SIC referred to at AC36/11’.

AC44/11 MATTERS ARISING AND ACTION PLAN

a) **Action Plan:**

See separate action plan and details below.

b) **Matters Arising:**

1. Completed Accounts: Mr Evens requested that the revised accounts be sent to committee members. Mr Gardiner agreed to do this.
2. AC04/11: Trust Whistle blowing Policy: Mrs McAdams reported that the policy was currently not in circulation and will become part of the bribery and corruption policy. Mrs Cooke informed members that she was concerned about this as she had been assured that it was on the intranet. It was agreed to discuss this with Mr Gallagher when he attended the meeting.
3. AC04/11: Loss of cash: Mrs McAdams reported that this was currently being investigated with the Security Officer. Mr Bonner reported that immediate work had been taken on this issue and the practice had been tightened up immediately. Mr Mulvey informed members that another issue was also being investigated at Whitehaven, by Finance and Internal Audit.
4. AC04/11: Section 29: Mrs McAdams informed members that she had taken advice on section 29 and it was found not to be possible. Mr Gardiner informed members that the GMC had been contacted, but there had been no response from the doctor. Mr Evens reported that he was not happy to leave this as it currently stood due to the large amount of money concerned and it was agreed that this continue to be looked into with the GMC and the doctor.

5. AC06/11: The meeting between Mr Bonner and Mrs McAdams had not taken place, but Mrs McAdams requested that Mr Bonner meet her after this meeting to discuss the issue.
6. AC10(6)/11: Mrs Lynch to send the minutes relating to this action to Mrs McAdams who will then update members.
7. AC19a/11: The Operational Financial Review document; the process of approval of the document to be discussed by Mr Mulvey and Mr Evens as it was felt that that there was not a formal reporting process for this document, this process would need to be improved and would be picked up through the timetabling of year end accounts process to ensure adequate preparation and review time for the OFR in future periods.
8. AC20d/11: Following the Senior Team meeting in August, when the wash up of accounts process would be discussed, the findings would be brought back to the Audit Committee in September 2011.
9. Agenda item 3.1: Mr Mulvey informed members that Mr Thomas was unable to attend the meeting due to ill health, but work was continuing with regards to the business continuity plan and Mr Thomas would be requested to attend the September meeting to update members on the current position.

Action: Matters arising:

- a) Going Concern: Mr Evens requested that the revised accounts be sent to committee members and Mr Gardiner agreed to do this.
- b) AC04/11: Section 29: Mr Gardiner to continue to investigate the repayment of salary of Doctor X???.
- c) AC10(6)/11: Mrs Lynch to send the minutes relating to this action to Mrs McAdams who will then update members.
- d) AC20d/11: the findings from the wash up of accounts process would be brought back to the Audit Committee in September 2011.
- e) Agenda item 3.1: Mr Mulvey informed members that Mr Thomas was unable to attend the meeting due to ill health, but work was continuing with regards to the business continuity plan and Mr Thomas would be requested to attend the September meeting to update members on the current position. (Refers to action AC72b/10)

AC45/11 PRIVATE PATIENTS REPORT

Ms Louise Corlett, Acting Divisional General Manager for Surgical Services joined the meeting at this point to discuss the outstanding actions relating to the Private Patients Internal Audit report. Mr Mulvey informed members that Ms Corlett had only recently picked this work up. Ms Corlett updated members on the actions as below;-

- Recommendation 1. The system had been strengthened and procedure notes are being used on both sites. It was noted that there were still some differences per site but these were being addressed.
- Recommendation 10. This is now complete.
- Recommendation 11. Mr Mulvey reported that the alignment of the processes will address this.
- Mr Gardiner reported that the reference costs included the consultants' costs.
- Most patients pay in advance for the work being undertaken, and where there were gaps in this process; this was being looked at.
- A policy has been written regarding overseas patients and this would be presented to the Governance Committee for approval. This policy accommodates the recent changes in charges for overseas patients
- Ms Corlett would send the Private Patient policy to Mr Gardiner once it was finalised for checking before it went to the Governance Committee.
- R3: The system had been changed in relation to identification of which consultants did private patient work and medical staffing personnel monitored this on a yearly basis, and the information was kept in the consultants personnel file.

Mr Evens thanked Ms Corlett for attending the meeting and she left the meeting.

AC46/11

HR RECRUITMENT ISSUES AND EX GRATIA PAYMENT TO STAFF MEMBER WHERE ACAS FACILITATED THE PROCESS

Mr Damian Gallagher joined the meeting at this point and Mr Evens thanked Mr Gallagher for attending the meeting. Mr Evens requested that Mr Gallagher also update members on other issues, as well as the two Mr Gallagher had been invited to discuss.

Mr Evens asked Mr Gallagher if the Whistle blowing policy was 'visible' to staff members as there had been some uncertainty that the policy could not be found on the intranet. Mr Evens also questioned the benchmarking of sickness absence within the Trust.

Mr Gallagher informed members in relation to sickness reporting that:

- The Trust had adequate benchmarking for sickness absence reporting and could readily be compared to other comparator Trusts. The Trusts' sickness levels had reduced to 4% and is continuing to reduce as the Trust was progressing with improvements in this area.
- There has been a significant amount of work undertaken with the Occupational Health department to improve the service provided and the benefits of this were being reflected in reduced sickness rates and more timely responses and support to staff and managers within the organisation.
- The Trust Board is provided each month with data relating to sickness management in the Performance report.
- Short term sickness continues to be a problematic area in the Trust and this was being targeted with an aim to reduce this.

Mr Gallagher informed members in relation to the Whistle blowing policy that:

- The policy was in use and the Trade Unions were currently using this policy to raise a grievance.
- In relation to Mr Bonner's question regarding the visibility and accessibility of the policy, Mr Gallagher informed members that he would look into this as it should be easily accessible. The policy was also discussed at the Trust induction sessions. Mr Gallagher would update members sending a report to the September meeting on the visibility/accessibility of the policy and would also check the policy covered locums; contractors etc and update members on this aspect as well.

Mr Gallagher updated members on the HR recruitment issues: An internal audit was currently being undertaken in this area and the report would be presented to the Audit Committee in September.

Mr Gallagher updated members on the ex gratia payment made to a staff member. Committee members discussed this issue in depth and the lessons learnt following the outcome of this issue, and were assured that the Trust had learnt from this. Procedures and processes were now in place with Medical Staffing to ensure this did not happen again. Mr Gallagher was also pleased to report that the staff member in question was still working with the Trust and had proven to be an asset to the Trust.

Mr Evens thanked Mr Gallagher for attending the meeting and Mr Gallagher left the room.

Action: Whistle blowing Policy

Mr Gallagher to update members by sending a report to the September meeting on the visibility/accessibility of the whistle blowing policy and to also check the policy covered locums; contractors etc and update members on this aspect as well.

AC47/11 OUTSTANDING AUDIT RECOMMENDATIONS 08/09. 09/10 AND 10/11

Mr Mulvey, in the absence of Mrs Duguid, updated members on the Outstanding Audit Recommendations. Mr Evens requested that the action lists be updated, for completeness, as he felt that some reports were missing/had been moved (IT Business Continuity had been moved from 08/09 year and was now in the 10/11 year, also Private Patients was in the wrong year). Mr Evens also reported on the size and complexity of the report due to the amount of items. Mrs McAdams commented that follow up reports have been issued for IT Business Continuity and Private Patients, and this would supersede the original reports resulting in the change of year.

Mr Mulvey informed members that the report showed improved visibility of the internal audit recommendations, but was very time consuming to produce, and he hoped that the report would reduce in size over a period of time. Mr Evens commented on the Trust not having an internal audit software system to produce these reports, to which Mrs McAdams

informed members that Internal Audit was now working with a software package that had such a module, although it was not being used at present. The module would allow managers access to their reports to update on recommendations made, but there would still be the issue of 'chasing' the managers to update the reports. The core issues however remain that managers agreeing actions as a result of internal audit recommendations need to improve the closing off of these items in a timely way.

Members further discussed this report in detail and the following key points were noted:

- Individual managers responsible for delivery of specific IA actions should attend audit committees with greater regularity where achievement of actions is highlighted as being off track or where the audit committee determines the issue is either material or requires further consideration.
- This report would not initially be presented as part of the Trusts' disclosure pack within the data room in relation to the merger/acquisition, but is likely to be required as and when further detailed discussions with a selected partner progress to the due diligence phases of the process.
- In relation to the specific reports in the document from this meeting, committee members to send any detailed comments to Mr Mulvey.
- Committee members asked for assurance on the 'completed' actions before they were removed. Internal Audit and the Director of Governance to meet and address the actions, to ensure that they were sufficiently assured that the issues had been adequately addressed to reflect the recommendation as having been "completed" or that the original action had been superceded by a subsequent full or follow-up audit. Mr Evens reported that the process should be that the actions were updated, and then Mrs McAdams/Mrs Duguid assure themselves that they were happy before the report was sent out to committee members.
- In relation to the issues regarding Procurement; Mr Mulvey reported that the Trusts' system had now changed from a paper system to an electronic system, with the move to SBS. Over the following year it was expected that the catalogues would be further enhanced and this work was ongoing. Mr Gardiner informed members that the Trust previously provided a service to two other Cumbrian partners, but this had now ceased. The department also had a new manager (Andrew Butcher) and he was leading the team through a lot of internal changes. The department was also focused on the work in relation to the procurement strategy and was working on this with the Turnaround team. Mr Butcher would be asked to attend the meeting in September to update members on the ongoing work in Procurement and the procurement strategy (Refers to Action AC10/11(5)).

The report was **noted**.

Action: Outstanding Audit Recommendations

- a. In relation to the specific reports in the document from the July meeting, committee members to send any detailed comments to Mr Mulvey.
- b. The Director of Governance and Head of Internal Audit to assess the outstanding audit actions for assuredness before the report is sent out to committee members.
- c. Mr Butcher would be asked to attend the meeting in September to update members on the ongoing work in Procurement and the procurement strategy.

AC48/11 **EXTERNAL AUDIT ASSURANCE ON THE TRUST'S QUALITY ACCOUNT**

Ms Bellard informed members that this year would be a dry run exercise, and not a formal report. Ms Bellard asked members to note the following:

Paragraphs 10 – 13 of the report, which gave members the information relating to the review of management arrangements. Ms Bellard further stated that a lot of information had been input at a later stage.

Mr Evens questioned the process to enable the Trust Board members to be assured. Mr Mulvey informed members that the process was through the governance route and that it also needed to be a central part of the Audit Committee timetable. Mr Evens further questioned if the Governance Committee saw the Quality Report document in its draft format. Mr Bonner informed members that it had been presented to the Governance Committee and that members had been requested to send their comments after that meeting.

Mr Evens enquired if there was a process that would enable the performance information to be assured. Ms Bellard drew the members' attention to paragraph 47 of the report which gave details of the Department of Health requirements. Mrs McAdams informed members that she was endeavouring to link data quality into the internal audits undertaken.

Members further discussed the assurance needed with the Quality Report and Mr Mulvey informed members that it should be reflected in the annual accounts planning timetable to ensure that there was a process of producing the report in a timely way to allow sufficient organisational review in advance of the year end.

Ms Bellard reported to members that there had been an issue with the data received relating to 'Cancer Waits' and that this had been discussed with both Mr Mulvey and Mrs Duguid.

Members agreed that the action plan from this report would be brought back and discussed at the September Audit Committee meeting.

Action: External Assurance on the Trust's Quality Account
The action plan pertaining to this report to be brought back to the September Audit Committee meeting for discussion

AC49/11 **EXTERNAL AUDIT PROGRESS REPORT**

Ms Bellard reported to members on the External Audit Progress Report and asked members to note paragraph 8 (Certificate of completion of the Audit). She informed members that she had not been able to provide the certificate at the time the report was written as she was still considering if a further Section 19 should be issued,, tis issue has now been resolved and Ms Bellard, once in receipt of all unto date documentation and information will issues the necessary certificates. These matters were to be resolved within two days of the close of the meeting.

Mr Evens reported that he had concerns relating to the Operational Financial Review document and needed assurance on this. Mr Gardiner agreed to pick this issue up with Mr Evens. Ms Bellard questioned when this would be achieved as the certificate required issuing soon. Mr Mulvey reported that it would be finalised this week.

Mr Bonner questioned the future requirements of consolidation of Charitable Funds and if it had affected the Trust. Mr Gardiner reported that the Trust would comply, in the future, with any requirements on these matters but that there had not been a requirement for consolidation in the current year.

Members considered the DoH guidance on overseas visitors hospital charging regulations that was due to come into force from 1 August 2011 and noted that the Trust was prepared for this.

The report was **noted**.

Action: External Audit Progress Report:
a. Mr Gardiner to send a copy of the Annual Report and Accounts to Ms Bellard.
b. Mr Evens to discuss with Mr Gardiner the future timelines for preparation and review of the Operational Financial Review

AC50/11 **INTERNAL AUDIT PROGRESS REPORT**

Mrs McAdams updated members on the internal audit reports relating to Appraisals and Mandatory Training. The key points were noted:

- a. **Mandatory Training:**
 - Overall Limited assurance was given that the Trust has in place systems for the provision of Mandatory Training. The Trust has undertaken considerable work to develop a directory and link it to e-learning, but the up-take of this was low. In relation to induction

training there was a system in place but the evidence that it was followed through was weak.

- No assurance was given in relation to the Trust having in place a robust system to monitor training. A reporting system had been designed but needed more work to ensure its robustness. There was also a lack of any link to the Trust's own action plan in response to the Francis Report findings on the importance of mandatory training.
- Members discussed the report in detail and it was agreed that Mr Mulvey would discuss the action plan with Mrs Duguid to ensure it was integrated with the Governance plan.

b. Appraisals:

- Overall Limited Assurance was given on the adequacy of the systems in place for the provision and monitoring of recording and reporting of appraisals.
- Members discussed the report in detail; in relation to the deadlines not being achievable on some of the actions and the recommendations not being definitive. Mr Mulvey agreed to look at the action plan for the report with Mrs Duguid.

The report was **noted.**

Action: Internal Audit Progress Report:

- a. Mandatory Training Internal Audit Report: Mr Mulvey to meet with Mrs Duguid to discuss the action plan and to ensure it integrated with the Governance Plan.
- b. Appraisals: Mr Mulvey to meet with Mrs Duguid to discuss the action plan as members felt that the actions were not definitive, and the deadlines unachievable on some of the actions.

AC51/11 LOCAL COUNTER FRAUD UPDATE

Mrs McAdams updated members on the details of activity carried out in relation to Local Counter Fraud, which included national fraud initiative work and awareness presentations and delivery to various departments/areas within the Trust.

The key notes are as follows:

- The LCFS work programme remained broadly on plan.
- In relation to the national fraud detection exercise; 112 payroll data matches had been reviewed, of which 104 had been closed with 8 cases requiring further detailed investigation. A high percentage of the matches related to individuals who had secondary employment elsewhere, and further work is recommended within the Trust to establish if the relevant policies and procedures are being adhered to.
- Work was being undertaken on the creditors' details with the high risk/high value data being checked as a matter of priority. Housekeeping issues that have been highlighted during this work are being addressed by the relevant staff.

- No fraud notices have been issued since the last meeting.
- Information has been circulated about a number of banking and postal scams and this has been publicised to staff as appropriate.

The report was **noted**.

AC52/11 PROCUREMENT WAIVERS

Mr Gardiner updated members on the waivers of Trusts Standing Financial Instructions and Standing Orders for quarter 1 of 2011/12. The report gave details of the 5 waiver orders during quarter 1. Committee members discussed the waiver orders and the reasoning behind the orders.

The report was **noted**.

AC53/11 ANY OTHER BUSINESS

Ms Bellard informed members of the changes she wished to make to the minutes of 7 June meeting. The changes were agreed by members and are noted above in AC43/11.

AC54/11 DATE, TIME AND PLACE OF NEXT MEETING

20 September 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	
AC72b/10	Outstanding Audit Actions 1. 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.	Alistair Mulvey	February 2011 meeting Amended date - July 2011 Amended date - Sept 2011	Mr Thomas to be asked to attend the September meeting to verbally update members (due to ill health in July 2011)

AC75a/10	Internal Audit Progress Report. 1. The Clinical Audit internal audit report to be discussed at the February Audit Meeting as part of the Internal Audit Plan. 2. 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	Cheryl McAdams	February 2011	To be an agenda item September 2011
		Jean Lynch	September 2011	Ongoing
February 2011				
AC04/11	Trust Whistleblowing Policy: Mrs McAdams to discuss with Human Resources to check whether the Trust still had a Whistleblowing policy or whether it had been integrated into another policy	Cheryl McAdams	May 2011 Amended Date July 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. 2. NICE Guidelines: this report to be brought back to the July Audit Committee meeting for a specific update.	Mrs McAdams	May 2011. Revised Date July 2011	Ongoing – Meeting to be arranged by Mrs McAdams
		Mrs Duguid	July 2011 Revised date Sept 2011	Ongoing – this item to be moved to September 2011 due to Mrs Duguid being on annual leave

AC10/11	08/098 and 09/10 Outstanding Audit Actions 5. The procurement outstanding audit actions to be discussed at the next meeting as a specific item. 6. Mrs McAdams to look further into R11 of the Governance Risk Management and Assurance Framework report	Cheryl McAdams Cheryl McAdams	May 2011. Amended date July 201. Amended date Sept 2011 May 2011. Amended date July 2011	Ongoing – Andrew Butcher to attend Sept meeting to update (on A/L July 2011)
MAY 2011				
AC19a/11	1. The Annual report to be presented to the Audit Committee at the July meeting	Ramona Duguid	2 July 2011.	
AC20d/11	1. The Trust to share with the external auditors the findings from the 'wash up of accounts' meeting	Alistair Mulvey	September 2011	Ongoing:Wash up of Accounts discussed at Finance Senior Team Meeting Aug 2011
AC21c/11	Mr Gardiner to present information regarding the Service Line Reporting tool to the Finance Committee in September 2011	Eric Gardiner	September 2011	Ongoing - Agenda Item Finance Committee September 2011
AC36/11	HOIAO The Audit Committee minutes to be copied to the Acting Director of Nursing and the Head of Governance so that the issues within the report could be looked into and addressed via the Governance Committee	Jean Lynch	After ratification at the AC meeting on 18 July 2011	
AC37/11	Annual Accounts The Audit Committee to look at the accounts in the September meeting and work out an action plan to ensure all elements were covered in a timely fashion	All	September 2011	To be an agenda item at September meeting

JULY 2011				
AC44/11	<p>Matters arising:</p> <p>a) Going Concern: Mr Evens requested that the revised accounts be sent to committee members and Mr Gardiner agreed to do this.</p> <p>b) AC04/11: Section 29: Mr Gardiner to continue to investigate the repayment of salary of Doctor X.</p> <p>c) AC10(6)/11: Mrs Lynch to send the minutes relating to this action to Mrs McAdams who will then update members.</p> <p>d) AC20d/11: the findings of wash up of accounts process would be brought back to the Audit Committee in September 2011.</p>	<p>Eric Gardiner</p> <p>Eric Gardiner</p> <p>Jean Lynch</p> <p>Eric Gardiner</p>	<p>September 2011</p> <p>September 2011</p> <p>September 2011</p> <p>September 2011</p>	<p>Complete – minutes sent to Mrs McAdams</p>
AC46/11	<p>Whistleblowing Policy</p> <p>Mr Gallagher to update members by sending a report to the September meeting on the visibility/accessibility of the whistleblowing policy and to also check the policy covered locums; contractors etc and update members on this aspect as well.</p>	<p>Mr Damian Gallagher</p>	<p>September 2011</p>	
AC47/11	<p>Outstanding Audit Recommendations</p> <p>a. In relation to the specific reports in the document from the July meeting, committee members to send any detailed comments to Mr Mulvey.</p> <p>b. The Director of Governance and Head of Internal Audit to assess the outstanding audit actions for assuredness before the report is sent out to committee members.</p>	<p>All</p> <p>Ramona Duguid/Cheryl McAdams</p>	<p>September 2011</p> <p>September 2011</p>	

AC48/11	External Assurance on the Trust's Quality Report: The action plan pertaining to this report to be brought back to the September Audit Committee meeting for discussion	Jacky Bellard	September 2011	
AC49/11	External Audit Progress Report: a. Mr Gardiner to send a copy of the Annual Report to Ms Bellard. b. Mr Evens to discuss with Mr Gardiner his concerns relating to the Operational Financial Review document	Eric Gardiner Eric Gardiner	September 2011 September 2011	
AC50/11	Internal Audit Progress Report: a. Mandatory Training Internal Audit Report: Mr Mulvey to meet with Mrs Duguid to discuss the action plan and to ensure it integrated with the Governance Plan. b. Appraisals: Mr Mulvey to meet with Mrs Duguid to discuss the action plan as members felt that the actions were not definitive, and the deadlines unachievable on some of the actions.	Alistair Mulvey/ Ramona Duguid Alistair Mulvey/ Ramona Duguid	September 2011 September 2011	