

**UNRATIFIED MINUTES OF THE AUDIT
COMMITTEE HELD ON TUESDAY 22
NOVEMBER 2011 AT 9:00AM IN THE
BOARDROOM, CUMBERLAND INFIRMARY,
CARLISLE**

- Present:** Mr M Evens, Non-Executive Director (Chair)
Mr M Bonner, Non-Executive Director
Ms J Cooke, Non-Executive Director
- In Attendance:** Mr A Mulvey, Director of Finance
Mr E Gardiner, Deputy 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
Ms G Martlew, Audit Commission
Ms F Duncan, Pathology Manager (Minute Point FC79/11 only)
Mr B Glendinning, Clinical Director of Pharmacy (Minute Point FC80/11 only)
Mr A Davidson, Director of Estates and Facilities (Minute Point FC81/11 only)
- Mrs J Lynch, Office Manager (minute taker)

AC76/11 WELCOME AND APOLOGIES FOR ABSENCE

Mr Evens welcomed everyone to the meeting.

Apologies for absence were received from Mr P Day, Non Executive Director.

AC77/11 MINUTES OF THE PREVIOUS MEETING

With the following amendments the minutes of the previous meeting were noted to be a true and correct record.

AC58/11 paragraph 3, 1st sentence; the word evoke to be removed and replaced with the word invoke.

AC67/11 paragraph 4 to be amended; The wording to be changed to reflect Mr Evens statement as follows 'I said that I was concerned about the risks of the Trust trying to achieve NHSLA level 2. Mrs Duguid said that the issue in question was IG level 2, which was a separate matter, and that this did not imply that the Trust was seeking NHSLA level 2'.

AC78/11 MATTERS ARISING AND ACTION PLAN

a) **Action Plan:**

See separate action plan.

b) **Matters Arising:**

There were no matters arising

AC79/11 UPDATE ON THE CURRENT MORTUARY/PATHOLOGY ARRANGEMENTS

Mr Evens thanked Ms Duncan for attending the meeting. Mrs Duguid updated committee members on the background to the request for Ms Duncan to attend this meeting. The following key points were noted:

- The Pathology Department is CPA accredited and had undertaken inspections during this year. A calendar of audits had taken place in histopathology including inspections of procedures. The department also had a Human Tissue Authority inspection this year. The report had been received back and there had been no issues in the mortuary; the only findings related to Paediatrics/Maternity. Ms Duncan confirmed that the audit calendar was working well and that the department was maintaining compliance with CPA/HTA.
- Mr Bonner asked how the framework fitted in with Trust Compliance and Mrs Duguid informed members that a quarterly report was already presented to the Governance Committee. Mrs Duguid further stated that she felt there was a need for an exception report being presented to the Audit Committee for assurance. Members discussed this and it was felt appropriate that a sentence giving assurance on the Trust compliance be added to the Statement of Internal Control.
- Ms Cooke questioned the departmental transportation between hospital sites. Ms Duncan informed members that the department had transport logs that recorded journeys between sites.
- Members discussed the reporting mechanism and Ms Duncan confirmed that all information was evaluated and recommendations were monitored to ensure they were implemented.
- Ms Cooke questioned the findings in relation to Paediatrics. Ms Duncan informed members that there were no issues within the Trust and that the issues related to the paperwork from Newcastle, but that Ms Duncan was looking into this. The Trust was compliant in taking

Paediatric samples from deceased children within Paediatrics, A&E and Maternity departments. Staff undertake rigorous training and are audited on a regular basis. Mr Evens questioned the issue of consent and Ms Duncan replied that this was not required for sudden infant death and arrangements were in place for the consent requirements for stillborn babies.

Mr Evens thanked Ms Duncan for attending the meeting;

The report was **noted**.

Action: Pathology/Mortuary Update:

A sentence giving assurance on the Trust compliance in relation to pathology/mortuary to be added to the Statement of Internal Control

AC80/11 WRITE OFF OF DRUGS AND MEDICINES MANAGEMENT

Mr Evens welcomed Mr Glendinning to the meeting. Mr Glendinning informed members of the write off of drugs. The following key points were noted:

- The Trust has some very expensive drugs which they are required to store. Cancer drugs are very expensive and were personal to patients; having a short shelf life before they were unusable, therefore the write off of some drugs is unavoidable. The department is working closely with other Trusts in relation to several drugs where storage is required by each Trust to help ensure better monitoring of the use of these drugs and to reduce wastage.
- There had been problems with the fridges on both sites; this has been resolved, but there had been a write off of drugs due to this.
- Procurement contracting arrangements were also being put in place throughout the North West to help with the procurement of some products and gain commonality between the Trusts.
- The department was reviewed by an external company (Bob Timpson Associates). The company also reviewed other Trusts. Members questioned the benchmarking of our own Trust against other Trusts through the use of the information from the external reviewers. Mr Glendinning reported that the information was classed as Commercial in Confidence and the Trust would not be given the information. Mr Mulvey suggested that Mr Glendinning discuss this aspect with other Heads of Pharmacy and shared information

Mr Evens thanked Mr Glendinning for attending the meeting and giving assurance on the write off of drugs. Mr Glendinning left the meeting.

The report was **noted**.

**AC81/11 SAFETY AND SUITABILITY OF MEDICAL EQUIPMENT INTERNAL
AUDIT REPORT 2011/12**

Mr Evens welcomed Mr Davidson to the meeting

Mrs McAdams informed members of the details of the report. Mr Davidson then elaborated on the circumstances behind the report and the work that had been undertaken since then. The key points are noted:

- Following spot checks on both sites, whereby areas of concern had been noted, Key Health Solutions, an independent company had been assigned with looking at both sites for compliance. This had shown that the Whitehaven site had a high degree of compliance, whereas the Carlisle site had a poor degree of compliance. Mr Davidson informed members that there had been leadership problems in that area but this was being addressed.
- Following the work undertaken the remit of the task given to Key Health was extended as an intervening arrangement to allow the service to continue. Internal advertising for the department had taken place but had not come to fruition.
- A report was being presented to the Governance Committee which showed what had been uncovered, the degree of compliance and the actions undertaken. Mr Davidson agreed to circulate this report to Audit Committee members.
- Mr Evens stated that he was pleased with the way that this had been identified and was being dealt with and this gave him some assurance that things were being done. Mr Evens further reported that he was happy to note that Mr Davidson had taken ownership of this problem and was ensuring it was resolved.
- Ms Cooke questioned the deadline dates and the achievability of meeting the dates as some of the dates were for the following week. Mr Davidson informed members that apart from a couple of dates where there would be slippage, he expected all actions for the end of November deadline to be met.
- Members discussed the effectiveness of the Trust having a Medical Devices Committee. Mr Davidson reported that the Medical Devices Committee was poorly represented and was often not quorate. Mrs McAdams informed members that this was referenced in the report. Mr Davidson further reported that an MDT meeting was reviewing the quality of equipment in the departments; nurses were involved in this but the input of doctors was also needed.
- Ms Cooke questioned the Medical Devices Alerts aspect of the report. Mr Mulvey informed members that Internal Audit had given significant assurance of that area and would be able to give that evidence to Ms Cooke. Mrs McAdams to send the evidence relating to the significant assurance aspect of the Medical Devices Alerts to Ms Cooke.
- Mrs Duguid informed members of her concern relating to two of the recommendations (recommendation 6 and 8) as she felt that these recommendations could not wait to the dates allocated. This was discussed in depth by members in relation to the patient safety aspect and the duty of responsibility of staff members. Mr Evens questioned

the Trusts approach to advising staff of their personal responsibility in the use of equipment. Mrs Duguid advised that an exercise had been undertaken with the Nursing forum, but there could be equipment in the Trust that was not on any inventory. This would be further discussed in the Governance Committee that afternoon and taken forward. Mr Evens noted that the Governance Committee would further look into this.

- Mr Evens thanked Mr Davidson for attending the meeting and noted as follows:
 - the recommendations in the report.
 - that a further discussion was required in relation to the number of concerns relative to patient safety and risk, and the actions that were required to take place.

The report was **noted** and Mr Davidson left the meeting.

Action: Safety and Suitability of Medical Equipment

- a. Mr Davidson to send Audit Committee members the report on Safety and Suitability of Medical Equipment that was being presented to the Governance Committee.
- b. Mrs McAdams to send Ms Cooke the evidence relating to the significant assurance aspect of the Medical Devices Alerts.
- c. Mr Davidson to report back to the Audit Committee in February to update on the work undertaken

AC82/11

AUDIT COMMITTEE ANNUAL REPORT

Mr Evens defined the content of the report to members. Members discussed in detail the 'Formal Conclusions' and 'Audit Committee Forward Plan' aspects of the report. Ms Cooke requested the final bullet point in the Forward Plan section be amended by removing the word 'clearance' and replacing it with 'implementation'. Members agreed to this. Mr Mulvey requested a table to be added to the report showing the dates of meetings and which members had attended those meetings be added to the report. Mrs Lynch was asked to add this to the section 'Committee Meetings'. Mrs Duguid informed members that the Governance Committee received reports on the Trust Governance arrangements but she would bring a specific report to the Audit Committee in February on the Governance arrangements.

The Audit Committee Annual Report was **noted**.

Action: Audit Committee Annual Report

- a. The final bullet point in the Forward Plan section to be amended by removal of the word clearance and replacing it with the word implementation.
- b. Mrs Lynch to add a table to the report showing the dates and attendees to the section 'Committee Meetings'.
- c. Mrs Duguid to present a report on the Trust Governance Arrangements at the February Audit Committee meeting.

AC83/11 CHANGES TO THE AUDIT COMMITTEE HANDBOOK

Mrs Duguid informed members that the New Audit Committee handbook had been ordered and would be disseminated out to members. In the meantime, Mrs Duguid updated members on the changes to the handbook stating where significant changes had been made.

Particular note was made to the change in the handbook around the Assurance Framework and how greater emphasis had been placed on using this as a tool within the Audit Committee. Members discussed how the committee should review this document during the year and pass assurance up to the Trust Board. It was agreed that Mrs Duguid and Mrs McAdams would meet to look at the Assurance Framework in relation to the Trust core business and milestones and how the Audit Committee could progress this. A proposal to be brought back to the February Audit Committee meeting by Mrs Duguid.

Ms Cooke asked if this report could be sent to other Non-Executive Directors as she had found it a very helpful report and felt that Non-Executive Directors who were not Audit Committee Members would also find it useful.

Ms Cooke further questioned both Internal and External Audit to see if the changes made would affect their work. Mrs McAdams and Ms Bellard both stated that their work would not be affected too much.

Mr Evens requested that the Audit Committee Handbook be sent out to members once received and that it should be an agenda item at the February meeting for further discussion.

The report was **noted**.

Action: Changes to the Audit Committee Handbook.

- a. Mrs McAdams and Mrs Duguid to meet to look at the Assurance Framework in relation to the Trust core business and milestones and how the Audit Committee could progress this. A proposal to be brought back to the February Audit Committee meeting.
- b. Mrs Duguid to forward the changes to the Audit Committee handbook report to Non-Executive Directors as it was felt that they would find this a useful guide.
- c. The Audit Committee Handbook to be disseminated to members once received and to be discussed further at the February Audit Committee meeting.

AC84/11 ANNUAL AUDIT LETTER

Ms Bellard presented the Annual Audit Letter and updated members on the contents of the report. There was only one new aspect to the report and that was around the area of future challenges. There were no questions asked and the report was **noted**.

AC85/11 EXTERNAL AUDIT UPDATE REPORT

Ms Bellard presented the External Audit Update Report and informed members of the details of the report. Work would be starting in the forthcoming weeks on some pre year end work on the Quality Account and Financial Accounts and a formal opinion would be given.

Mr Mulvey questioned the details in the Value For Money (VFM) section as the level of support stated in that section was incorrect. Ms Bellard agreed to amend the report.

The report was **noted**.

Action: External Audit Update Report
Ms Bellard to amend the value for money section of the report as the detailing of the support received from the SHA was incorrect.

AC86/11 AUDIT PLAN

Ms Martlew presented the Audit Plan. The following key points were noted:

- The Trust's significant risks on pages 4 and 5 of the report.
- The Trust's specific risks on page 6 of the report.
- A new table 'Assertions' had been added on page 7 of the report.
- Testing strategy on page 8 of report
- The value for money conclusion on page 10 of the report. It was noted that the 4th risk required amending. QIPP target to be amended to CQUIN target.

Mr Evens questioned if the work relating to PFI that was required prior to year end would be completed in time. Mr Gardiner informed members that the PFI work was updated quarterly; will be updated in January and shared with colleagues as soon as received. Mr Evens requested that members discussed any PFI issues prior to the February meeting so that they can be discussed further at the next meeting if required. Ms Cooke asked if there were any causes for concern relating to the Quality Account to which both Mr Mulvey and Mrs Duguid replied that there wasn't.

The report was **noted**.

Action: Audit Plan

Any PFI issues to be discussed between finance and external audit prior to the February meeting, so that if necessary they can be discussed further at the February Audit Committee meeting.

AC87/11 AUDIT COMMITTEE SELF ASSESSMENT REPORT

Mr Evens informed members that this report had been brought back to the committee as the previous report had not shown the full details. Mr Evens expressed his concern that members had not responded to his offer to discuss any issues or concerns they may have with him. He extended his offer so that members could contact him if they wished to do so.

The report was **noted**.

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| <p>Action: Action already on action list as AC66/11. Date on that action extended to February 2012</p> |
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AC88/11 INTERNAL AUDIT PROGRESS REPORT

Mrs McAdams updated members on the work undertaken by the Internal Audit Department. The key points are noted:

- The following final reports have been issued :
 - Pensions Payments (Significant assurance),
 - Safety and Suitability of Medical Equipment (Limited assurance).
 - Waste Management (Significant assurance).
- No follow up reports have been issued.
- The following draft reports have been issued.
 - Freedom of Information; exit meeting held but still awaiting final clearance by Trust.
 - Complaints Management; exit meeting cancelled and to be re-arranged.
 - Endoscopy scheduling and management (including backlog).
 - Financial Management and Budgetary Control; exit meeting arranged for 22 November 2011.
- Review of NICE guidelines; Mrs Duguid informed members that this audit had been done in 2008 but the recommendations had not been followed through. The Governance structure had undergone a major restructure and she had requested that the work be picked up as part of a re-audit in June 2012, as she felt if it was re-audited now it would still show a lot of concerns. Mr Mulvey agreed with this plan of working. Ms Cooke questioned that Mrs McAdams was happy with the change to the timetable relating to the NICE guidelines. Mrs McAdams informed members that there would be some form of follow up action done. Members agreed that at the February meeting they would review where the Trust was in reference to Clinical Governance and what progress had been made.
- Mr Evens questioned the number of internal audit reports outstanding that would have to be discussed at the February Meeting. Mrs McAdams agreed that the summary reports would be sent out in January to all members so that members would be able to read them in readiness for the meeting in February.

The report was **noted**.

Action: Internal Audit Update Report

- a. Nice Guidelines: The Audit Committee to review where the Trust was in reference to Clinical Governance and what progress had been made.
- b. Internal Audit Summary reports to be sent out to all members in January, to allow them to read them before the February meeting, as it is anticipated there will be a lot of reports.

AC89/11 LCFS PROGRESS REPORT

Mrs McAdams informed members that there was nothing new to report. It was noted that awareness sessions had increased within the Trust and this had resulted in increased contact with the LCFS for advice on potential frauds.

The report was **noted**.

AC90/11 QUARTER 2 FINANCE REPORT

Mr Gardiner updated members as to the value and types of losses and special payments, bad debts and procurement waivers issued during the second quarter of the financial year 2011/12. There were no bad debts in quarter 2 and the cumulative bad debt written off was £415.50. Two procurement waivers had been requested between July and September 2011 bringing the total for the year to date to 7. The total amount of losses and special payments amounted to £30,862.92, bringing the cumulative losses and special payments for the year to £31,898.92.

Mr Gardiner further informed members that there had been a delay in some of the payments made. This was due to investigations into the claims taking place as the Trust would not pay out to claimants without evidence of their claim.

Mr Evens expressed his pleasure that the Trust had managed to contact the staff member who owed the Trust money and that progress on this payment was continuing. Mr Gardiner reported that the Trust had made contact with the staff member and that agreement had been reached over the amount owed. Mr Gardiner would be following this up to ensure payment was received.

It was noted that a number of drugs had been written off due to them being out of date and Mr Mulvey informed members that he would further discuss this with Mr Glendinning and the benchmarking of our Trust against other Trusts.

The report was **noted**.

Action: Quarter 2 Finance Report.

Mr Mulvey to discuss with Mr Glendinning the benchmarking of our own Trust against other trusts in relation to the writing off of drugs.

AC91/11 **PASSIVE APPROVAL OF LOW VALUE INVOICES**

Mr Mulvey informed members of his awareness that this report had been presented to the Audit Committee previously, whilst he was on leave, but he wished to have the discussion again in relation to the report. Mr Evens informed Mr Mulvey that as the Audit Committee had previously turned down the request, he felt that the members could not discuss the report unless there had been changes made to allow the revoking of the previous decision. Members discussed in depth the Trust lack of control mechanism for the procurement and payment of goods. Mr Bonner stated that he would like to see assurance given on the control mechanism. It was agreed that Internal Audit would cover this aspect within the financial audit on Accounts Payable. Mr Evens agreed to defer the discussion relation to passive approval of low value invoices until Internal Audit had considered the control mechanisms.

Action: Passive approval of low value invoices:
Discussion on this item to be reconvened when Internal Audit have considered and assuredness checked the control mechanisms.

AC92/11 **AUDIT COMMITTEE MEETING DATES**

Members discussed the dates of meetings for 2012 and the following key points were noted.

- Time to be allocated either before or after the February meeting for Audit Committee members to have a private meeting with both internal audit and external audit members.
- An additional date may be added to allow Audit Committee members to discuss the Acquisition process. **Addendum:** this meeting has been arranged for 17 January 2012.
- Members agreed that the May date fitted in with the Trust business calendar for the Annual Accounts.

The committee dates for 2012 were **noted**.

AC93/11 **ANY OTHER BUSINESS**

There was no further urgent business to discuss.

AC94/11 **DATE AND TIME OF NEXT MEETING**

As per AC minute point AC92/11 the additional meeting has been arranged for Tuesday 17 January at 11.30am in the Boardroom, West Cumberland Hospital, Whitehaven

The next planned meeting will take place on Tuesday 28 February 2012 at 9am in the Boardroom, Cumberland Infirmary, Carlisle.

AUDIT COMMITTEE ACTION LIST MEETING NOVEMBER 2011

| Minute Point Reference | Details of Action agreed | Action by whom | Timescale | Progress |
|------------------------|--|--------------------------------|--------------------------------|--|
| SEPTEMBER 2011 | | | | |
| AC59/11 | Procurement Update: a. Mr Butcher to be invited to attend the Audit Committee to further update members on the procurement work being undertaken | Jean Lynch | May 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 | February 2012 February 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 | Complete. Action plan being implemented. |

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| AC66/11 | 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. | All | February 2012 | Ongoing – Mr Evens at the November meeting extended the date for this item to allow members to discuss any concerns with him. |
| | b. Any member with other suggestions for areas to be included in the Annual Report to inform Mr Evens. | All | November 2011 | Complete. Report discussed at November Meeting |
| AC67/11 | a. 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. | Cheryl McAdams | November 2011 | Complete. Mrs McAdams updated members of the scope of the original audit |
| AC72/22 | Finance Paper Mr Gardiner to send members the background information relating to the payment of dental treatment for a member of staff | Eric Gardiner | November 2011 | Complete. Mr Gardiner gave a verbal update to members of the background to the payment made. |
| NOVEMBER 2011 | | | | |
| FC79/11 | Pathology/Mortuary Update: A sentence giving assurance on the Trust compliance in relation to pathology/mortuary to be added to the Statement of Internal Control | Ramona Duguid | February 2012 | |

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| FC81/11 | <p>Safety and Suitability of Medical Equipment</p> <p>a. Mr Davidson to send Audit Committee members the report on Safety and Suitability of Medical Equipment that was being presented to the Governance Committee.</p> <p>b. Mrs McAdams to send Ms Cooke the evidence relating to the significant assurance aspect of the Medical Devices Alerts.</p> <p>c. Mr Davidson to report back to the Audit Committee in February to update on the work undertaken</p> | <p>Jean Lynch</p> <p>Cheryl McAdams</p> <p>Alan Davidson</p> | <p>November 2011</p> <p>January 2012</p> <p>February 2012</p> | <p>Complete.</p> |
| FC82/11 | <p>Audit Committee Annual Report</p> <p>a. The final bullet point in the Forward Plan section to be amended by removal of the word clearance and replacing it with the word implementation.</p> <p>b. Mrs Lynch to add a table to the report showing the dates and attendees to the section 'Committee Meetings'.</p> <p>c. Mrs Duguid to present a report on the Trust Governance Arrangements at the February Audit Committee meeting.</p> | <p>Jean Lynch</p> <p>Jean Lynch</p> <p>Ramona Duguid</p> | <p>February 2012</p> <p>February 2012</p> <p>February 2012</p> | |

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| FC83/11 | <p>Changes to the Audit Committee Handbook.</p> <p>a. Mrs McAdams and Mrs Duguid to meet to look at the Assurance Framework in relation to the Trust core business and milestones and how the Audit Committee could progress this. A proposal to be brought back to the February Audit Committee meeting.</p> <p>b. Mrs Duguid to forward the changes to the Audit Committee handbook report to Non-Executive Directors as it was felt that they would find this a useful guide.</p> <p>c. The Audit Committee Handbook to be disseminated to members once received and to be discussed further at the February Audit Committee meeting.</p> | Cheryl McAdams/ Ramona Duguid | February 2012 | |
| FC85/11 | <p>External Audit Update Report</p> <p>Ms Bellard to amend the value for money section of the report as the detailing of the support received from the SHA was incorrect.</p> | Jacky Bellard | February 2012 | |
| FC86/11 | <p>Audit Plan</p> <p>Any PFI issues to be discussed between finance and external audit prior to the February meeting, so that if necessary they can be discussed further at the February Audit Committee meeting.</p> | External Audit/Finance staff | February 2012 | |

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| FC88/11 | Internal Audit Update Report a. Nice Guidelines: The Audit Committee to review where the Trust was in reference to Clinical Governance and what progress had been made. b. Internal Audit Summary reports to be sent out to all members in January, to allow them to read them before the February meeting, as it is anticipated there will be a lot of reports. | Ramona Duguid Cheryl McAdams | February 2012 January 2012 | |
| AC90/11 | Quarter 2 Finance Report. Mr Mulvey to discuss with Mr Glendinning the benchmarking of our own Trust against other trusts in relation to the writing off of drugs. | Alistair Mulvey | February 2012 | |
| AC91/11 | Passive approval of low value invoices: Discussion on this item to be reconvened when Internal Audit have considered and assuredness checked the control mechanisms | Cheryl McAdams | February 2012 | |