

**MINUTES OF THE AUDIT COMMITTEE HELD
ON TUESDAY 29 MAY 2012 AT 2.30PM IN
CLASSROOM 5, EDUCATION CENTRE,
CUMBERLAND INFIRMARY, CARLISLE**

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

In Attendance: Mr E Gardiner, Deputy Director of Finance
Mrs R Duguid, Acting Director of Governance/Company
Secretary
Mrs C McAdams, Head of Internal Audit
Ms J Bellard, Audit Commission
Ms G Martlew, Audit Commission
Mr F Young, Consultant Pathologist (Agenda item AC29/12
only)
Mr A Butcher, Acting Head of Procurement (Agenda item
AC27/12 only)
Mr A Davidson, Director of Estates and Facilities (Agenda
item AC28/12)

Mrs J Lynch, Office Manager (minute taker)

AC24/12 WELCOME AND APOLOGIES FOR ABSENCE

Mr Evens welcomed everyone to the meeting.

Apologies for absence were received from Mr P Day, Ms J Cooke, Mr A Mulvey.

AC25/12 MINUTES OF THE PREVIOUS MEETING

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

AC26/12 MATTERS ARISING AND ACTION PLAN

Matters Arising:

There were no matters arising

Action Plan

See updated actions on the separate action list.

AC27/12 UPDATE ON PROCUREMENT WORK (AC59/11)

Mr Butcher attended the Audit Committee following a previous request from the committee to return and update them on progress of work within the procurement department. Mr Butcher informed members on the following key points:

- There had been significant changes within the department and overall within the Trust.
- A new strategy policy had been developed.
- There had been a revision of standing orders.
- The CIP programme was ongoing and a lot of work had been undertaken with this aspect. A tracker had been implemented. A lot of procurement was linked to the national framework to gain better value for money.
- The department was working with business managers and clinicians to address any procurement issues.
- The Trust was liaising with Northumbria to ascertain how they worked in order to work more closely and match how they worked.
- Nationally work was progressing with the regional and national procurement hubs. The Department of Health information relating to the national and regional sourcing would be announced at a later date.
- Mrs Duguid questioned when the revision of the standing orders had been undertaken and when had the changes been approved. Mr Butcher reported that this had been undertaken with Mr Will Pinkerton, from Internal Audit as part of a tendering procedure. Mrs McAdams informed members that Internal Audit would not approve the changes and it would be expected that Mr Butcher would be taking this forward with the finance department. Mr Gardiner agreed to look into this with Mr Butcher and would report back to the Audit Committee in September.
- Mr Bonner asked if the department was facing any significant issues at present. Mr Butcher reported that there had been nothing of any particular importance. The department was continuing to look to find savings and was also working with suppliers to get better value for money.

The verbal update was **NOTED**. Mr Evens thanked Mr Butcher and Mr Butcher left the meeting.

<p>ACTION: Procurement Update Mr Gardiner to liaise with Mr Butcher regarding the issue of the revision of the Standing Orders and feedback to the Audit Committee on the outcome at the September meeting.</p>

AC28/12 MEDICAL DEVICES EQUIPMENT

Mr Evens updated members on the history of the request for Mr Davidson to report back to the Audit Committee. Mr Davidson reported to members on the work that had been undertaken, and was continuing to be progressed in relation to the medical devices equipment. The key points were noted:

- A personal training needs and verification record for medical devices had been adopted as standard across the Trust and was a thorough method of linking competency/ability to use medical equipment.
- The Progress matrix was noted to not have any outstanding areas; all areas were reported to be green or amber.
- The original internal audit had been amended by the inclusion of a rag rating column and a comments/actions column. This demonstrated the significant progress made but it was noted that this was an enormous task and further things were being uncovered so this continued to be ongoing work. Mr Evens questioned the rag rating as a number of the amber areas had the letter G in them. Mr Davidson reported that they had been left amber until fully assured then they would be amended to green.
- The department was doing a lot of work with the Procurement department relating to the purchasing of equipment to ensure that Medical Engineering was involved from the start of the process. There was a requirement to educate staff to use the policy but this was also work that was ongoing.
- Mrs Duguid expressed her concern that the training matrix showed the rag rating for all staff as green. Mr Davidson reported that this showed that the user was competent to use the equipment in those areas. Mrs Duguid further expressed her concern as this document, if reported to the media would seem to be misleading. Mr Evens agreed and suggested that the column be deleted and added to the Personal Training needs record.
- Changes were required to the asset id labels to show whether the risk was high or low. Mr Davidson reported that he thought the labels were colour coded but he would have to confirm this. Mrs Duguid reported she would pick the items up outwith this meeting.
- Mrs Duguid questioned the October 2012 date for the Bactraq issue as she felt it was too long to wait. Mr Davidson reported that this work was being planned now and would not be waiting until October.
- Mr Evens expressed his concern as how the Trust would continue to monitor this work in light of the original internal audit report. It was agreed that the Governance Committee would monitor the ongoing work and the Chairman of the Governance Committee would report back to the Audit Committee. Any issues would be reported to the Private Trust Board for discussion and decision.
- Mr Davidson agreed to update the matrix to show the current position and for it to be presented to the Governance Committee.

The report and verbal update was **NOTED**.

ACTION: Medical Devices Equipment

1. Mrs Duguid to pick up the changes required within the documents with Mr Davidson outwith the Audit Committee meeting
2. Mr Davidson to update the matrix and present it to the Governance Committee
3. The Governance Committee to monitor the ongoing work and report back to the Audit Committee. Any issues would be reported at the Private Trust Board

AC29/12 PATHOLOGY/MORTUARY UPDATE (AC79/11)

Mrs Duguid informed members that Dr Fergus Young had come along to the Audit Committee to update members on the work undertaken within the Pathology and Mortuary departments. Following the Redfern report it was felt that there should be an annual assurance to the Audit Committee. Dr Young reported on the following key points:

- The hospital PM Policy was now live. There are a small amount of areas where work was still ongoing.
- The department was audited by the HAS, CPA and the Trusts Internal Audit Department.
- The Trust worked closely with the Coroner's office regarding retention and disposal of retained tissue and reported monthly to the Coroner on this. Mr Bonner questioned if this covered complete organs or just tissue. Dr Young reported that historically it was not known what was kept for analysis, but everything had been destroyed appropriately. The Trust notified the Coroner of everything that was retained, and that included organs. Families were also made aware when organs or tissue was retained. The Trust also destroyed microscopic slides and the Coroner was also informed of this. The Trust took instruction from the Coroner and interacted on a daily and monthly basis.
- Mrs Duguid informed members that the Trust had HAS/CPA accreditation, the Trust self assessed itself on the work undertaken in the Pathology and Mortuary departments and there would be an annual update to the Audit Committee to give assurance.
- Mr Bonner questioned the controls within the department and Dr Young reported that the departments worked differently now to the way they did historically.
- Mrs McAdams asked for information relating to the 'vertical audit'. Dr Young reported that this was where a case was followed through the system from start to finish giving a complete pathway.
- Mr Bonner questioned where the information reported would fit into the monitoring process. Mrs Duguid reported that she would discuss this with Mrs Francine Duncan to see whether it would be more appropriate to go to the Governance Committee or the Audit Committee.

The verbal update was **NOTED**. Mr Evens thanked Dr Young for attending and Dr Young left the meeting.

ACTION: Pathology/Mortuary Update: Mrs Duguid to discuss the monitoring of the mortuary/pathology yearly reporting to ascertain whether it should go to the Governance Committee or the Audit Committee
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AC30/12 DRAFT QUALITY ACCOUNT 2011/12

Mrs Duguid presented the draft Quality Account for 2011/12. The Audit Committee had received a report on progress against delivering last year's quality account priorities in February 2012. The report had been reviewed

by local stakeholders and the Trust's external auditors and comments had been incorporated. The Quality Account would be presented to the Governance Committee at their May meeting for approval and then would be presented to Trust Board in June 2012 for approval prior to publication.

Members discussed the document in depth and the following key points were noted:

- Any comments on the document should be passed to Mrs Duguid for action.
- Mrs Duguid to action the amendments and issues mentioned during the course of the meeting.
- Mrs Martlew asked for assurance over the internal controls for the collection and reporting of measures. Mrs Duguid reported that the information was reported monthly in the Performance Report. Mrs McAdams informed members that Internal Audit had done some work on data quality, more work was planned and the Information Management department was keen to see this work progressed.
- Members discussed the internal control mechanism to ensure that the report going to Trust Board was correct and Mr Evens reported that the Governance Committee would need to check the report before it went to Trust Board. As Chairman of the Governance Committee, Mr Bonner agreed to do this

The Report was **NOTED**.

ACTION: Quality Account 2011/12

1. Members to pass detailed comments on the document to be passed directly to Mrs Duguid for action.
2. Mrs Duguid to action the amendments and issues mentioned during the course of the meeting.
3. The Governance Committee to check the Quality Account 2011/12 report at the meeting in May, prior to it going to the Trust Board in June.

AC31/12 DRAFT ANNUAL GOVERNANCE STATEMENT 2011/12

Mrs Duguid presented the Draft Annual Governance Statement for review. The document had been prepared in accordance with revised guidance from the Department of Health (March 2012). Both the internal and external auditors had reviewed the initial draft and changes had been made as a result of that review. The document which was previously known as the Statement of Internal Control (SIC) gave more emphasis on risk issues. The key points were noted:

- Mrs McAdams requested that section 3.3 on identification of fraud be amended by the addition of corruption and to continue using both the words 'fraud and corruption' throughout that section.
- Ms Bellard and Ms Martlew expressed their concerns relating to the significant issues raised last year and the lack of information showing how some of these had been dealt with. Ms Martlew also reported that the Trust was not showing any significant control issues whereby

there had been one, and that was the Trust CIP. Mr Evens reported that the Assurance Framework documentation reported on this aspect and that the Trust had constantly discussed this aspect with the Strategic Health Authority to give them assurance and by way of this the Trust was controlling the risk. The CIP programme was a major risk to the Trust but was not a significant control issue.

- Ms Martlew asked for the wording on page 6 to be amended as it did not match the wording on the risk profile table. Mrs Duguid agreed to do this although she noted that this did not change the context of the risk.
- Mrs Duguid reported that in relation to CQC regulations 16 outcome 11 and Regulation 23 outcome 14, the Trust had action plans in place for those audits covered in the regulations. Ms Bellard questioned where the Trust was in relation to these audits. Mrs Duguid reported that the Trust currently stood at amber as some of the work was still ongoing. Mr Evens informed members that he felt there were enough compensating controls to give assurance. The Trust was doing everything reasonably expected to do to control issues.
- Ms Bellard questioned how the historic deficit was being dealt with going forward and how it was supported by the Strategic Health Authority. Mr Bonner reported that it was included as part of the acquisition process. Mr Gardiner further reported that in the recovery plan the Trust would have achieved breakeven by 2015/16 but this had been overtaken by the acquisition.
- Mrs McAdams reported that the Head of Internal Audit Opinion reported inconsistencies but no significant control issues had been identified. Any issues that had been identified had been addressed.
- Mr Evens reported a major risk is staff and the leaking of documents to the media. Mrs Duguid reported that the Trust was unable to stop staff from using reported information for other purposes. The Trust was continuing to investigate and if the staff member was found then that person would be taken down the appropriate route.
- Mr Evens questioned if the Head of Internal Audit Opinion had been finalised. Mrs McAdams reported that it had and would be presented to the next Audit Committee meeting.

The report was **NOTED**.

ACTION: Draft Annual Governance Statement 2011/12

1. Section 3.3 to be amended by the addition of the word corruption throughout the section, thereby changing the content of the section to fraud and corruption.
2. Ms Martlew asked for the wording on page 6 to be amended as it did not match the wording on the risk profile table. Mrs Duguid agreed to do this although she noted that this did not change the context of the risk.

AC32/12 EXTERNAL AUDIT UPDATE REPORT

Ms Bellard presented the External Audit update report. The report gave details of the following:

- The accounts were completed on 23 April 2012. Work was ongoing with the finance department on a number of issues in order to finalise the accounts.
- Ms Bellard reported to members on the identification of significant risks and gave details of those risks she felt were significant. Mr Gardiner reported that in relation to the invoices and orders not matching, work was ongoing with SBS and procurement to address this.
- In relation to PFI life cycle costs; Ms Bellard questioned the accounting treatment. Mr Gardiner reported that the Trust has questioned HMC in relation to this and were informed that the money would be spent and the contract honoured. The item was a standing item on the agenda at each PFI contract meeting. If there was any money left at the end of the contract that money would be split with the Trust.
- The Audit Committee meeting the following week was discussed in depth and it was noted that the timing of the meeting did not give enough time to finish the work that External Audit and Trust finance staff had to do. Mrs Martlew informed members that the Trust would have to hold a Trust Board meeting to approve the accounts and report. This meeting to be arranged.
- Ms Bellard reported to members on the VFM conclusion and it was noted that this was likely to be 'qualified'.
- Section 20 of the report, in relation to Payment by Results, did not match the information in the Quality Accounts. Ms Martlew would discuss this further with Mrs Duguid.

The report was **NOTED**.

ACTION: External Audit Update Report

1. Audit Committee meeting to approve the accounts to be moved back and a Trust Board meeting to be convened to approve the Annual Accounts and Annual Report 2011/12.

2. Ms Martlew to discuss further with Mrs Duguid the issue of the Payment by results information in section 20 not matching the information in the Quality Accounts.

AC33/12 INTERNAL AUDIT PROGRESS REPORT

Mrs McAdams verbally updated committee members on the work being undertaken by the Internal Audit department.

- The Head of Internal Audit Opinion report would be finalised and sent to members as soon as it was ready.
- There were a number of projects that had not been finished for various reasons, these included NICE guidelines which was now in the 2012/13 work plan, medicines management which had been delayed for operational reasons, Energy and Utilities Management which had been deferred following discussion with the Director of Finance, workforce planning which was being finalised now and the Endoscopy project which was also being finalised.

- Mr Evens questioned if there would be any surprises in the reports that had been delayed to which Mrs McAdams informed members that there wouldn't.

The verbal update was **NOTED**.

AC34/12 **INTERNAL AUDIT PLAN 2012/13**

Mrs McAdams presented the Internal Audit Plan 2012/13 which detailed areas of internal audit activity on which assurance would be provided for the Board.

The internal audit plan was risk based and had been compiled following audit risk assessment, review of the Trust's Risk Register and Assurance Framework document and discussions with Executive Director's. The plan took into account the acquisition. Assurance on the project management of the process would be given as well as planning certain elements of the plan, such as governance and financial system work to take into account the possibility of an early final accounts process within the financial year.

Progress reports would be presented regularly to the Audit Committee.

Internal Audit would remain flexible to the needs of the Trust and co-operate with the acquisition process and any discussions relating to future internal audit provision.

The cost of the internal audit plan would be provided at the same cost of the 2011/12 position, with an additional £15,821 for the counter fraud plan. The resource covered 465 days work which was broken down for different elements.

Mr Gardiner expressed his concern regarding the timing of some of the planned audits but Mrs McAdams informed members that she was not able to leave the work to year end, but there could be some flexibility in the work and the timings of the work could also be revisited.

Mr Bonner picked up a couple of errors in the report; the report stated 11/12 plan and should read 12/13 plan and secondly the reported of amounts of days differed in the report from 465 to 495. Mrs McAdams agreed to amend the report.

Members discussed the requirement for an audit for the financial accounts for 2012/13 and it was noted that if the acquisition was completed on or before 31/3/13 they would not require an audit, but if the acquisition took place on or after 1/4/13 then an audit of the 2012/13 accounts would be required.

Members **APPROVED** the Internal Audit Plan for 2012/13.

<p>ACTION: Internal Audit Plan 2012/13 Cheryl McAdams to change report title to 2012/13 as year Cheryl McAdams to amend the amount of work days to 465, as the correct number</p>

AC35/12 LCFS ANNUAL REPORT

Mrs McAdams presented the Local Counter Fraud Annual Report, which gave details of the work undertaken over the year. A total of 74 days had been spent on proactive work and 45.5 days had been spent on reactive work. The proactive time covered all seven generic areas of counter fraud.

During the course of 2011/12 the Local Counter Fraud staff had delivered on a number of areas; these included fraud awareness presentations, published articles, visits to Trust premises and a variety of other items.

A number of investigations had been undertaken during 2011/12.

Mr Evens reported that there had been very little fraud reported in the organisation. Ms Martlew questioned the current case that was being investigated and Mrs McAdams gave a brief update on the case as the investigation was ongoing. Mr Evens asked if the case would be resolved before the next Audit Committee meeting but Mrs McAdams could not confirm this.

The Annual Report was **NOTED**.

AC36/12 LCFS WORK PLAN

Mrs McAdams presented the Counter Fraud Work Plan for 2012/13. The report detailed the areas of counter fraud activity that would be undertaken by local counter fraud staff. The following key points were noted:

- 65 days were planned for counter fraud work. Committee members were happy with this decision as it was felt that a higher number of days would be disproportionate for the size of the Trust.
- Progress reports would be presented regularly to the Audit Committee and would include reference to outcomes of work.
- Investigations were not included in the planned activity and would be charged in addition to the plan. Any investigations were agreed with the Director of Finance.
- In relation to the Quality Assurance Pilot, Mr Evens questioned if there would be any impact to the Trust. Mrs McAdams reported that it did not make any particular demands and should be beneficial.

Committee members **APPROVED** the counter fraud work plan for 2012/13, **AGREED** the level of resource allocated to counter fraud work, **NOTED** that investigations are charged in addition to the plan and endorsed the proposed involvement in quality assessment pilot.

AC37/12 QUARTER 4 FINANCE REPORT

Mr Gardiner updated members on the value and types of losses and special payments, bad debts and procurement wavers issued during the fourth quarter.

The total losses and special payments totalled £7,263.22. The cumulative losses and special payments for 2011/12 totalled £52,579.00

There were no bad debts written off in quarter 4 and the total bad debt write off for 2011.12 totalled £455.40.

There were 6 procurement waivers between January 2012 and March 2012. Overall for 2011/12 a total of 20 procurement waivers had been issued.

The total losses, special payments and procurement waivers were **NOTED**.

AC38/12 ANY OTHER BUSINESS

The date of the next Audit Committee meeting was further discussed as it was agreed that the date of 29 May 2012 would not give enough time for the ongoing work the finance department and the External Auditors were undertaking. Members discussed dates and it was agreed that the meeting would have to take place on either 6, 7 or 8 June to enable the Annual Accounts to be submitted on 11 June, which was the deadline date.

<p>ACTION: Any Other Business: The meeting to approve the Annual Accounts and Annual Report to be rescheduled. (see action 32/12)</p>
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AC39/12 DATE, TIME AND VENUE OF NEXT MEETING

The next meeting will take place on Wednesday 6 June 2012 at 9am in Classroom 5, Education Centre, Carlisle.

AUDIT COMMITTEE ACTION LIST MEETING MAY 2012

Minute Point Reference	Details of Action agreed	Action by whom	Timescale	Progress
NOVEMBER 2011				
AC83/11	Changes to the Audit Committee Handbook: 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.	Cheryl McAdams/ Ramona Duguid	February 2012 Revised Date May 2012. Revised date September 2012	Ongoing – The information to given to Mr Evens for the Audit Committee Annual Report which would be presented to the AC meeting in September
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 Amended Date May 2012. Further amended date September meeting	Ongoing –As Mr Glendinning is unable to attend the AC meeting in September due to a prior work commitment, Mr Glendinning to produce a report for the Audit Committee which Mr Mulvey would present.
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. Revised date September 2012	Ongoing– Mr Evens requested a report to come to the AC Meeting at the September meeting

FEBRUARY 2012				
AC14/12	Payment by Results Follow up Report: The actions from the report to be added to the outstanding audit actions report	Eric Gardiner/ Jean Lynch	September 2012	
AC19/12	Draft Accounting Policies: 3. Mr Evens to look into the issue relating to Donated Assets and the use of IAS20 and SIC 10 with Finance Committee members and report back to The Audit Committee.	Mark Evens/Jim Tollitt	May 2012	
AC20/12	Terms of Reference 1. Mr Mulvey and Mrs Duguid to relook at the terms of reference document to amend it following discussion held at the Audit Committee meeting. The amended document to be sent to Audit Committee members prior to the meeting in May	Alistair Mulvey/ Ramona Duguid	May 2012. Amended Date September 2012	Ongoing – To be presented at September 2012 Meeting

MAY 2012				
AC27/12	Procurement Update Mr Gardiner to liaise with Mr Butcher regarding the issue of the revision of the Standing Orders and feedback to the Audit Committee on the outcome at the September meeting	Eric Gardiner	September 2012	
AC28/12	Medical Devices Equipment 1. Mrs Duguid to pick up the changes required within the documents with Mr Davidson outwith the Audit Committee meeting 2. Mr Davidson to update the matrix and present it to the Governance Committee 3. The Governance Committee to monitor the ongoing work and report back to the Audit Committee. Any issues would be picked up at the Private Trust Board	Ramona Duguid Alan Davidson Michael Bonner	September 2012 June 2012 September 2012	
AC29/12	Pathology/Mortuary Update: Mrs Duguid to discuss the monitoring of the mortuary/pathology yearly reporting to ascertain whether it should go to the Governance Committee or the Audit Committee	Ramona Duguid	September 2012	

AC30/12	<p>Quality Account 2011/12</p> <ol style="list-style-type: none"> Members to pass detailed comments on the document to be passed directly to Mrs Duguid for action. Mrs Duguid to action the amendments and issues mentioned during the course of the meeting. The Governance Committee to check the Quality Account 2011/12 report for assuredness at the meeting in May, prior to it going to the Trust Board in June. 	<p>ALL</p> <p>Ramona Duguid</p> <p>Michael Bonner</p>	<p>June 2012</p> <p>June 2012</p> <p>June 2012</p>	
AC31/12	<p>Draft Annual Governance Statement 2011/12</p> <ol style="list-style-type: none"> Section 3.3 to be amended by the addition of the word corruption throughout the section, thereby changing the content of the section to fraud and corruption. Ms Martlew asked for the wording on page 6 to be amended as it did not match the wording on the risk profile table. Mrs Duguid agreed to do this although she noted that this did not change the context of the risk. 	<p>Ramona Duguid</p> <p>Ramona Duguid</p>	<p>September 2012</p> <p>September 2012</p>	
AC32/12	<p>External Audit Update Report</p> <ol style="list-style-type: none"> Audit Committee meeting to approve the accounts to be moved back and a Trust Board meeting to be convened to approve the Annual Accounts and Annual Report 2011/12. Ms Martlew to discuss further with Mrs Duguid the issue of the Payment by results information in section 20 not matching the information in the Quality Accounts. Mr Gardiner to send the links in relation to the reconciliation of the accounts to Mrs Lynch so that they can be forwarded onto members. 	<p>Jean Lynch</p> <p>Gina Martlew/ Ramona Duguid</p> <p>Eric Gardiner</p>	<p>May 2012</p> <p>June 2012</p> <p>June 2012</p>	

AC34/12	Internal Audit Plan 2012/13 Cheryl McAdams to change report title to 2012/13 as year Cheryl McAdams to amend the amount of work days to 465, as the correct number	Cheryl McAdams	September 2012	
		Cheryl McAdams	September 2012	
AC38/12	Any Other Business: The meeting to approve the Annual Accounts and Annual Report to be rescheduled. (see action 32/12)	Jean Lynch	May 2012	Complete. Duplicate actions AC32/12