

North Cumbria University Hospitals



NHS Trust

MINUTES OF THE AUDIT COMMITTEE HELD ON TUESDAY 25 SEPTEMBER AT 9AM 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 (Item AC62/12 onwards)
- In Attendance:** Mr E Gardiner, Deputy Director of Finance
Mrs C McAdams, Head of Internal Audit (from Item AC57/12 onwards)
Mrs J Bellard, Audit Commission
Mrs G Martlew, Audit Commission
Mr M Little, Trust Chairman (Item AC53/12 to AC57/12 only)
Mrs A Farrar, Interim Chief Executive (Item AC53/12 to AC57/12 only)
Ms Corinne Siddall, Director of Operations (Item AC53/12 to AC56/12 only)
Mr Darren Magee, Head of Medical Engineering (Item AC57/12 only)
Mrs C Platton, Acting Director of Nursing (Item AC53/12 to AC54/12 only)
Mrs J Lynch, Office Manager (minute taker)

AC53/12 **WELCOME**

Mr Evens welcomed everyone to the meeting and informed members that before the Trust undertook the normal Audit Committee business, members would discuss the other Trust business.

GOVERNANCE

- AC54/12** Mrs Farrar informed members that at a meeting the previous week the Trust Governance was discussed and further discussion and recommendations had taken place at the Executive Team meeting. Mrs Platton gave members details of how the Trust Governance would be dealt with for the foreseeable future. Mrs Farrar reported that she would be supporting Mrs Platton whilst she was Executive leave for Governance. Mrs Platton reported that the Governance Plan would be presented Governance Committee meeting that was taking place today and then would be presented to the next Audit Committee meeting.

ACTION: Governance The Governance Plan to be presented to the next Audit Committee Meeting
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AC55/12 **DUE DILIGENCE REPORT/TRUST COMMENTS ON DUE DILIGENCE REPORT**

Mr Evens welcomed Mr Mark Webster and Mr Steve Gill from PwC to the Audit Committee meeting and informed members that the Due Diligence report was a report that PwC had undertaken for Northumbria Healthcare NHS Foundation Trust as the client and it was unusual for the report to be shared with our Trust.

Mr Webster gave members background details of himself and Mr Gill and explained that the report was very detailed and he would be happy to answer any follow up questions that were sent to him following the meeting. Mr Webster and Mr Gill informed members that they had been asked to review the financial historic record of the Trust from 3 years previous and going forward. They noted that the Trust historic record was not as important as the forward plan and they were also aware of the previous work undertaken by KPMG which had proven to be helpful to this task. The key points are noted:

- Underlying earnings: A number of adjustments had been identified which materially reduced the underlying surplus reported in FY10, FY11 and FY12. The review had identified the reported surplus per year was after significant support from the SHA. After excluding the funding and other adjustments identified the reported surplus became an underlying deficit each year.
- SHA support: The amount varied each year but had increased over recent years.
- NHS Cumbria contract: The Trust is subject to a penalty if it does not meet its Electronic Patient Discharge Summary targets.
- CIP: the Trust had historically struggled to meet its CIP targets and action would need to be taken to improve this. Mr Evens reported that this CIP target had been discussed at previous Board meetings and was a combination of CIP and deficit and calculated to ensure the numbers balanced. For several years the CIP had been unbudgeted deficit and CIP. Mrs Farrar reported that the Trust had to prepare for Monitor and would have to look at how the deficit would be addressed. The Trust Board would have to look at how to move forward with a 2 year plan for Monitor.
- PFI: There is a risk that the Trust is being overcharged for services that it receives. Mr Little questioned if there were any evidence of the Trust being over charged and was informed that no evidence had been found. Mr Bonner reported that in line with the contract the Trust would receive a 50:50 split of unspent life cycle costs at the end of the contract.
- Working Capital: This has decreased in recent years but is expected to improve in FY13 and FY14.
- Sensitivity Analysis: a number of sensitivities to the forecasts for FY13, FY14 and FY15 had been identified. Mr Evens noted that the Trust

was still in the early days of using Service Line Reporting and it was therefore difficult to perform analysis. A detailed discussion was held on the various sensitivities identified.

- Taper relief: It has not been confirmed by the SHA that the Trust will receive this funding although it was noted that there was information relating to this in the SHA Board papers and the chance of not receiving this funding was slim. Mrs Farrar informed members that this information would be included in the BTA.
- Mrs Farrar questioned how other organisations operated as the report produced mentioned NHS Cumbria and also was it normal to negotiate/not negotiate with penalties. Mr Webster reported he did not have sufficient knowledge of the local economy to be able to answer the question in full. It was noted that the following year there should be no service developments linked to penalties, Ms Siddall updated members on how the PCT had not delivered on management initiatives. Mr Evens reported on the Trust history with the PCT but further stated that things were now progressing with the CCG.
- Mr Bonner questioned what would happen now with the report as it had been written for the Northumbria Board. Mrs Farrar reported that when Monitor came to visit the Board the Board needed an understanding of what had been declared. Mr Evens reported that he had found the report helpful and it had not contained any surprises. He further asked Mr Webster if he had had received good access to staff and information provision.

Mr Webster reported that there were some quality information issues but this had been down to staff turnover in finance and other demands on them. Staff overall had been helpful. Mr Gill reiterated Mr Webster's comments.

Mrs Platton left the meeting at this stage as she had to attend another meeting but before she left she informed members that the risk and information governance issues would be picked up in the Board report.

- Mr Evens questioned the section relating to the LTFM as there were references to 3 versions; was there any material changes that the Trust needed to be aware of, or were they updates because of more recent information. Mr Webster reported that it had been a while since this had been done and there had been a number of iterations, but no major omissions or misinterpretations.
- SLR: Mrs Farrar questioned the pace of rolling this out through the organisation. Mr Gardiner informed members that the Trust had made good progress over the previous year but there had been a number of staff changes. The main person responsible for this was due to return to work in the near future. There is a Steering Group that is led by clinicians. Mrs Farrar informed members that she would be interested to go to a Steering group meeting and she would be keen for the Board to be updated on a regular basis

Mr Evens asked Mr Webster if he had anything further to report or highlight and Mr Webster confirmed that he did not. Mr Bonner reported that he had found the document very useful and that it would be an important document for forthcoming discussions.

Members **NOTED** the report.

Mr Webster and Mr Gill left the meeting at this stage.

ACTION: Due Diligence Report

1. Members with follow up questions following the meeting to send them to Mr Webster/Mr Gill for response.
2. Mrs Farrar to be invited to an SLR Steering Group meeting
3. The Board to be updated on a regular basis on the SLR work.

AC56/12 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr P Day and Mr Alistair Mulvey.

AC57/12 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 29 May were agreed to be a true and correct record.

The minutes of the meeting held on 6 June were agreed to be a true and correct record.

Ms Siddall left the meeting at this stage as she had another meeting she had to attend. She informed members that if required she would stay at this meeting as she had found it helpful and interesting. Mr Evens suggested that Ms Siddall attend the next Audit Committee meeting as an attendee.

ACTION: Ms Siddall to be invited to attend the next Audit Committee meeting.

AC58/12 ACTION PLAN

Action Plan

Please note the updated actions on the action list.

AC59/12 UPDATE ON ACQUISITION

In Mr Mulvey's absence Mr Gardiner reported that he had attended a meeting the previous week with representatives from Northumbria, the SHA, the CCG and the Trust. The meeting had looked at particular areas:

- Equal Value Claims risk: Northumbria previously felt that this was high risk and large claims may be issued. Northumbria was now reasonably satisfied with the information relating to this issue.
- WCH Redevelopment: Northumbria representatives were looking at the redevelopment of the rest of the site and were in discussion about this.
- WCH equipment replacement: Northumbria representatives were in discussion regarding replacement equipment for WCH.

- General discussion regarding WCH: In relation to Treasury approval Northumbria representatives were in discussion with the NHS Northwest.
- Funding for redundancies: information had been shared relating to this aspect. NHS Northwest were clear that the funding should come from the CCG as non-recurrent funding.

The verbal update was **NOTED**.

AC60/12 FINAL ACCOUNTS MEMORANDUM

Ms Martlew informed members that she was not going to go through the report in detail but would go through certain aspects of the report. The key points are noted:

- PFI; Ms Martlew reported that clarification was required on the payments in advance of the life cycle costs and who was authorising and certifying the invoices. Mr Evens expressed his concern relating to the life cycle costs and payments made. Members discussed this and agreed that the Trust had to ensure this was being dealt with appropriately and that Executive Directors should note this issue. Mr Bonner reported that the PFI contractors would benefit from non-spending of the funds as the split at the end of the contract would be 50:50 which would be more beneficial to the PFI contractors than to the Trust. Ms Bellard queried if performance monitoring was happening to ensure the Trust was getting what it had paid for. Mr Evens requested that a report be presented to the next Audit Committee meeting highlighting what actions were being taken. Mr Gardiner reported that this was a joint issue in that both Estates and Facilities and Finance needed to work closer together on this. Mr Bonner and Mr Evens agreed but also felt that Operations should be included. Mrs Farrar agreed that it should be tripartite working, the Director of Operations wished to be more involved with this and the Director of Nursing may also need to be involved as she had concerns relating to this issue also. There was a need to sort out who would lead on this. Ms Martlew queried the 50:50 split and if this was confirmed. Mr Gardiner reported that it had been confirmed and was in the contract.
- Goods received not invoiced; this had been overstated during the year and was a useful error as more funds had been accounted for than spent. This was included in the action plan in the back of the report.

The report was **NOTED**.

ACTION: Final Accounts Memorandum

1. In relation to the PFI contract and the life cycle costs, Trust Executive Directors should note the issue relating to the payments made and the 50:50 split of funds left at the end of the contract.
2. A report to be brought to the next meeting of the Audit Committee highlighting the actions undertaken relating to the PFI contract and performance monitoring of the contract to ensure value for money. There should be tripartite working with Operations, Estates and Facilities and Finance but the Director of Nursing also had concerns so may need to be involved.

AC61/12 MATTERS ARISING

Update on Medical Devices

Mr Evens welcomed Mr Magee to the meeting and reported that the 2 page report Mr Magee had produced had been very helpful. Mr Magee informed members of the history of the medical engineering department. The key points were noted:

- From starting the process of looking at the issues within the department and the safety of medical equipment, more issues had been unearthed and these were also being worked through. Patient safety and quality were paramount in everything that was being done.
- Staff were currently working overtime to cover the backlog of work. The department had been working for a few years with a shortfall of 3.1WTE. This had been benchmarked against Northumbria and had proven that NCUH is working with 1500 man hours less. A business case was being pulled together in order to recruit more staff which would deliver a better service. Mrs Farrar questioned if the staff would be external or internal staff. Mr Magee informed members that the department would be able to take back some external contracts, but training would be required to do this. The information would be in the business case. Mr Bonner questioned the risks associated with in house or external contracting and if this information would be in the business case. Mr Magee reported that the work could be provided to the Trust privately but this would be costly and would discharge responsibilities. If the work was provided in house the risks would be mitigated by training of staff; there would also be financial savings.
- A number of improvements had been made in a short period of time. Priority lay where patient safety was involved.
- Mr Bonner questioned staff picking their own jobs as had happened previously. Mr Magee reported that this had been stopped.
- Mr Evens questioned the updated comments in the internal audit report and the rag rating. Mr Magee informed members that the 'reds' were being addressed and the 'ambers' were being worked on to ensure they changed to 'green'.
- Mrs Farrar questioned the business case and where it was up to at present, as there was the need to progress this and have it signed off. The business case needed to match the standards for the acquisition. Mr Magee reported that the business case was not finalised but was progressing. Meetings had taken place with Northumbrian colleagues to take this forward. Mrs Farrar informed members that the business case would need to be presented to the Transition Board and that assurance on the 'green' actions would be required with training incorporated into the corporate system. Mrs Farrar would pick this up with Mrs Platton. Mr Magee reported that nursing was being addressed but there needed to be more engagement with other users. The Medical Devices Working group was currently rolling out the matrix for users, this incorporated best practice.
- Mr Evens asked about the medical equipment library. Mr Magee reported that it was a useful tool in that the Trust would be able to control the equipment and ensure it was serviceable. There would be

a requirement for there to be a library on each site. The Trust was currently ensuring that essential equipment was located in specific areas. The medical equipment library at Whitehaven would be located in the old TSSU building which was adjacent to the Medical Engineering department. The Carlisle medical equipment library was currently being scoped for position etc.

- Mr Bonner questioned the matrix and how established it was. Mr Magee informed members that it was a permanent management tool which incorporated training also.

Mrs McAdams joined the meeting at this point, apologised to members and gave an explanation for being late.

- Mr Evens queried when the follow up audit for medical devices would be undertaken. Mrs McAdams reported that it would be done after Xmas. Mr Evens requested that the follow up audit be brought to the Audit Committee meeting in the first quarter of 2013.

Mr Evens thanked Mr Magee for attending and giving the verbal update and Mr Magee left the meeting.

The verbal update was **NOTED**.

Internal Audit Plan

Mrs Farrar informed members that she was aware that the Executive Team were doing everything to ensure robust controls so that the Trust received value for money on cash expenditure, but questioned the high spend areas and if Internal Audit could look into this and compare with Northumbria where substantial gains had been made. Mr Evens reported that he understood from Mrs McAdams that there was time in the budget to allow this to happen without it impacting on the programme. Mrs McAdams reported that she would finalise what was required with Mrs Farrar.

ACTION: Matters Arising

1. Update on Medical Devices - Mrs Farrar to discuss with Mrs Platton the training requirements for nursing in relation to the medical equipment to ensure it is incorporated into the corporate system.
2. Update on Medical Devices - The follow up audit for medical devices to be presented to the Audit Committee at the meeting in February 2013.
3. Internal Audit Plan – Mrs McAdams to discuss with Mrs Farrar the requirements needed for the work Mrs Farrar wished to be undertaken relating to high spend areas and then progress the work.

Mr Little and Mrs Farrar left the meeting at this stage.

AC62/12 QUALITY ACCOUNT REPORT

Ms Martlew apologised to members as the report she had sent through for distribution had been the wrong report. Ms Martlew informed members that she would send the correct report through to Mrs Lynch so that it could be forwarded electronically to members and it would be added to the agenda for the next Audit Committee meeting.

ACTION: Quality Account Report Ms Martlew to send the correct report to Mrs Lynch for dissemination and the report to be added to the next Audit Committee meeting

AC63/12 ANNUAL AUDIT LETTER

Ms Bellard informed members that the letter had been previously discussed and had been presented to Trust Board in September. Mr Evens acknowledged the change in the context relating to the value for money aspect.

The report was **NOTED**.

Ms Cooke joined the meeting at this stage

AC64/12 APPOINTMENT OF EXTERNAL AUDITOR/APPOINTMENT OF EXTERNAL AUDITOR FOR CHARITABLE FUNDS

In Mr Mulvey's absence, Ms Bellard informed members of the details of the two letters received relating to the change of External Auditors. Ms Bellard reported that the merger had not been finalised but Grant Thornton had been appointed from 1 September 2012. From this date Ms Bellard could not take any action in relation to the current financial year whilst in the transition period. The Trust would be receiving a phone call from a Ms Sarah Howard from Grant Thornton which would be a welcome and introductory call. Mr Evens questioned when the staff would transfer to Grant Thornton and Ms Bellard reported the date would be 1 November 2012. Members discussed the current position that the staff had been appointed but not TUPE'd and the position this put the Audit Committee in, although it was noted that everything would be sorted by the date of the next Audit Committee meeting.

A discussion was held relating to the audit of Trust accounts and how this would be undertaken; whether there would be merged accounts or two sets of accounts to be presented once the Trust merged with Northumbria. Mr Gardiner reported that if the merger took place 1 April 2013 then a full set of audited accounts would be required but if the transaction took place on the 31 March 2013 Northumbria would have to produce merged accounts. Mr Gardiner further reported that discussions were being held with Northumbria in relation to this aspect. The issue was further complicated by the cessation of NHS Northwest on 31 March 2013. Ms Cooke questioned what other Trusts did in relation to their mergers. Ms Bellard reported that Trafford NHS Trust merged on 1 April 2012 and had produced a full set of accounts. Mr Evens reported that at Board meetings

he had been informed that 31 March 2013 would be the merger date so clarification was required to ensure the accounts would be dealt with appropriately. Ms Bellard reported that she was unable to give any clarity on this aspect at the current time. Mr Gardiner informed members that the Trust was planning a full set of accounts. Mr Evens requested that the minutes noted the discussion held and how the Audit Committee was planning work for 1 April 2013 following discussions that had been held at Trust Board, information from NHS Northwest and discussions held with Mr Mulvey. The Trust would produce a full set of accounts, although it was noted that there was a very low risk that the accounts would not be required. It was further noted that after 1 November 2012 Grant Thornton would be in a position to start planning the audit work required. Ms Bellard confirmed that this was the case.

Mr Bonner questioned the Charitable Fund Accounts and the process relating to that. Mr Gardiner informed members that this was being discussed with the Auditors. Ms Bellard reported that the work for the Charitable Funds Accounts would potentially start at the end of November/beginning of December. Mr Evens asked for clarification of this at the next Audit Committee meeting. Ms Bellard informed members that it was unlikely that Grant Thornton would undertake the work for the 2012/13 accounts as these would be done sometime after the merger had been finalised. In relation to the 2011/12 accounts Grant Thornton would undertake the audit but it is unlikely they will complete the 2012/13 Charitable Funds Audit.

Mr Evens informed members that in the current situation there would need to be a close liaison between both the Charitable Funds and Audit Committee. There was also a need to have a Charitable Funds meeting in the first quarter of 2013.

Ms Cooke questioned if the two letters received needed responding to and if so had the responses been sent. Mr Evens reported that the wording of the letters was standard wording and there was no requirement to respond to the letters.

The reports were **NOTED**.

ACTION: Appointment of External Auditors for Trust and Charitable Funds.

1. External Audit representatives to give clarification at the next meeting relating to the work to be done by external audit in for the Charitable Funds accounts.
2. Charitable Funds meeting to be set up in the first quarter of 2013.

AC65/12

INTERNAL AUDIT PROGRESS REPORT

Mrs McAdams presented the internal audit progress report which updated members on the progress and achievement of internal audit work for the current year against plan. The key points were noted:

- 8 planned final reports, 3 follow up reports and 1 draft report had been issued.

- 3 pieces of work had required rescheduling but would be completed appropriately. An early meeting had been requested with Grant Thornton to finalise the work on Financial systems which was starting in October 2012.
- Mr Evens asked External Audit if they had any comments. Ms Bellard reported that she was not able to comment due to the restraints the Audit Commission were currently working to whilst the move over to Grant Thornton was being undertaken. Mr Evens thanked the Audit Commission representatives for the work they had undertaken over the years and would welcome them back in future meetings as external audit representatives for Grant Thornton.

External Audit representatives left the meeting at this point.

- Mr Bonner asked if Internal Audit were in discussion with Northumbria Healthcare NHS Foundation Trust. Mrs McAdams reported that informal discussions were currently being undertaken. There were issues relating to the work that may go over the financial year end; it was noted that this work would have been paid for so would not be charged but how the work would be finalised would have to be sorted with internal audit Northumbrian representatives.
- Mr Evens questioned section 3 of the summary document as it stated the SU1 report assurance as significant whereas the document and the plan stated the assurance as limited. Mrs McAdams informed members that the error was in the summary document and the reports were correct. Mr Evens requested that a corrected summary be sent to Mrs Lynch.
- Mr Evens noted that there were 3 finalised reports that he had received copies of that were not in the document. Mrs McAdams reported that the Asset Management report was an omission and there was a new outcome to that report. The report would be brought to the next meeting. In relation to the IT reports, Informatics staff had raised questions in relation to the report and these were being addressed. Mr Evens questioned how this could happen when he had received the final report which had been signed off. Mrs McAdams reported that the final report was issued in July, whilst she was on leave. It should have been issued with caveats but this had not been done. Meetings had been held but the issues had not been sorted so this work was continuing. The action dates had also been amended. The reports will be re-issued. Mr Evens asked that the reports be brought to the next Audit Committee meeting. Mr Evens further asked that a brief report be brought to the next meeting in relation to Asset Management stating why there was the difference in opinion between Internal and External Audit as Internal Audit had given significant assurance and External Audit had been critical in relation to aspects of Asset Management. Mr Gardiner informed members that he would review the actions of the Asset Management report
- Ms Cooke expressed her concern relating to the reports and requested that a full and correct set of reports be presented to the next meeting. Mr Evens agreed with this.
- Ms Cooke informed members that in relation to the Stroke – data reporting, compliance with standards report Non-Executive Directors received staff comments on the Ulysses system when they did the

patient safety walkabouts and how the feedback varied from area to area. She further reported that the Director of Nursing was doing a lot of work in this area. It was noted that this report was limited assurance.

- Mr Evens queried the Goods Received Not Invoiced report. Mrs McAdams informed members that a lot of work had been undertaken, but there were still issues to be addressed relating to correcting the backlog. It was noted that this was a known issue with the SBS system and had not been picked up by both parties but the problem was being resolved. Mr Evens questioned that there may have been overstated expenditure because of this issue. Mr Gardiner reported that action had been taken to reduce the backlog but further time will be required to resolve the problem totally. Mr Gardiner further reported that the Audit Committee and the Finance Committee should continue to look at this issue. Mr Evens questioned that the issue had not been discussed previously in the Finance Committee. It was agreed that it should be further reported on at the next Audit Committee and the next Finance Committee meeting. Mr Gardiner agreed to report on this.

The report was **NOTED**.

ACTION: Internal Audit Progress Report

1. Mrs McAdams to amend the summary report and forward to Jean Lynch.
2. The Asset Management report to be brought to the next Audit Committee meeting.
3. The Informatics finalised reports to be brought to the next Audit Committee meeting.
4. A report to be presented to the next Audit Committee in relation to Asset Management and why Internal and External Audit showed differences in their opinions.
5. Mr Gardiner to review the actions of the Asset Management Report.
6. Mrs McAdams to present a full correct set of reports to the next Audit Committee meeting.
7. Mr Gardiner to report to the next Finance Committee meeting and the next Audit Committee meeting on the issue relating to the goods received not invoiced report.

AC66/12 REPORT ON PALVI PROPOSAL

Mrs McAdams reported to members on the work undertaken on the review of the proposal to introduce Passive Approval of Low Value Invoices. There was no conclusive evidence to introduce or not introduce the system. It was noted that Northumbria Healthcare NHS Foundation Trust do not use PALVI and have no intention of introducing the system. Given the acquisition, the Trust would only have the opportunity to implement the system for a short period of time but it was a Trust decision whether to progress this or not. Mr Gardiner informed members that bullet point 6 on page 2 of the report was incorrect as PALVI would not automatically allow the Trust to meet the Better Payment Practice Code. Mrs McAdams apologised to members and reported that she would amend the report as

it was an error. Mr Gardiner further informed members that the Trust would not progress this as the acquisition had overtaken events.

The report was **NOTED**.

AC67/12 **LCFS PROGRESS REPORT (INCLUDING INFORMATION ON BRIBERY ACT)**

Mrs McAdams presented the counter fraud work plan progress report 2012/13 which gave details of the progress against the counter fraud work plan which had been approved in May 2012, detailed other matters relating to counter fraud and reported on any current investigations. The key points were noted:

- A local fraud awareness week was held 17 – 21 September 2012.
- There had been a couple of referrals; 1 following the fraud awareness week. Mrs McAdams give details of one of the referrals and the work that Internal Audit would be doing on car parking, following this referral. This work would start around Xmas time.
- There had not been a lot of internal presentations this year as there had been a drive on this the previous year.
- 65 days in total were planned for work undertaken. In addition to this, internal audit carried out fraud related checks in their risk based plans and systems work (10 days work).
- Mrs McAdams informed members of the work that would be undertaken to ensure the Trust was compliant with the Bribery Act, which replaces the fraud and corruption act. It was noted that this was a Trust Board issue and that it would be presented to a Trust Board meeting in the near future. There was a medium risk with Trust Procurement and the Trust would have to undertake actions to gain assuredness. Mr Evens requested that the Board report showed the action; where the Trust was in relation to that action and the plan required relating to that action. Mr Evens further requested that the Trust Board be assured on Trust compliance with the Bribery Act.

The report was **NOTED**.

AC68/12 **QUARTER 1 FINANCE REPORT**

Mr Gardiner presented the quarterly finance report which updated the committee as to the value and type of losses and special payments, bad debts and procurement waivers issued. The key points were **NOTED**:

- In relation to the debt of £2,963 this related to urgent treatment that was required for an illegal immigrant brought into the Trust by the Police. The UK Border Agency was aware of this case but had been unable to help trace the patient. When brought into the Trust the illegal status of the patient was not known. Although this is reported under the private patient category the patient had not received private treatment.
- The negotiated settlement related to an ex member of staff member who had 'settled' on an unfair dismissal, race discrimination and harassment case. The Trust had taken legal advice and following the

advice agreed to settle the case rather than go through an Employment Tribunal. Mr Evens questioned the background to this case and if the Trust had undertaken a full follow up relating to the accusations. It was agreed that Mr Damian Gallagher should be invited to the next Audit Committee meeting to assure the committee members that the Trust was undertaking a full investigation into this case so that lessons were learnt,

- The damage to property costs related to drugs that had been damaged or had expired and related to the first quarter of 2012/13.
- Members discussed the procurement waivers and that there had been two waivers for the same firm. Concerns relating to the professionalism of this company were discussed. It was agreed that in future the report of procurement waivers should show the reasons for the waiver being used and that the next report should show retrospectively the reasons for waivers already procured. Mr Gardiner informed members that he would also be amending the waiver form in reference to SFI, page 72, paragraph 17.5.3. Mr Evens further questioned a waiver that had been procured but not used as there were no orders raised. Mr Gardiner reported that orders had not been raised but the firm had been used in the organisation in relation to this waiver and that the waiver was for a similar reason as the previous two waivers discussed.
- Mr Gardiner asked members for approval for the write off of the bad debts and this was given

Members **NOTED** the report and **APPROVED** the write off of bad debts for quarter 1.

ACTION: Q1 Finance Report:

1. The Director of Human Resources to attend the next Audit Committee meeting to give his assurance that a full investigation and lessons have been learnt following the negotiated settlement to an ex member of staff following a claim of unfair dismissal, race discrimination and harassment.
2. The finance report to note the reasons for procurement waivers being used and the next finance report to retrospectively show the reasons for the waivers already procured.
3. Mr Gardiner to amend the waiver form in reference to SFI, page 72, paragraph 17.5.3.

AC69/12 **SFI UPDATE REPORT**

Mr Gardiner presented the SFI update report. Both Mr Evens and Mr Bonner expressed their thanks for the document being presented in mark up so that they were aware of what changes had been incorporated.

Mr Gardiner informed members of the changes that had been made to the document. Mrs McAdams reported that the Bribery Act would need to be incorporated into the document and Mr Gardiner and Mrs McAdams would look at this outwith this meeting.

Mr Bonner questioned the statement relating to the acceptance of formal tenders where the lowest tender if payment was made to the Trust had to

be taken and how not all factors were taken into account. Mr Gardiner stated that the lowest price generally had to be chosen, although other factors are taken into account.

Mrs Cooke questioned the necessity for a revised set of SFI's once the acquisition process was finalised. Mr Gardiner informed member that the Trust was in discussion with Northumbria on this aspect already.

The report was **NOTED**.

ACTION: SFI Update Mr Gardiner and Mrs McAdams to discuss the incorporation of the Bribery Act into the SFI document.
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AC70/12 SLA UPDATE

Mr Gardiner reported that the Trust was in the progress of giving notice to CPT in relation to IM&T. The letter informing them of this was due to be sent out. Mr Gardiner reported that he was not sure how this would progress but the Trust owns all the file servers which serve the health economy. Staff would be TUPE's as the Trust goes through the process. In relation to J Block a letter was currently being drafted and would be sent to CPT. A meeting had been held the previous week where the issues were discussed. A further update would be given at the next Finance Committee.

Mr Evens questioned the possibility of informing Monitor as this had been discussed previously and the suggestion made. The Finance Committee would support the decision. Mr Bonner enquired if Northumbria Healthcare NHS Foundation Trust was aware and Mr Gardiner informed members that Mrs Farrar and Northumbria are aware of the position.

The verbal update was **NOTED**.

ACTION: SLA Update A further update regarding the SLA issues to be presented to the Finance Committee Meeting in October.
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AC71/12 ANY OTHER BUSINESS

a. Audit Committee Annual Report

Mr Evens informed members that he would be making minor changes to the Annual report, relating to the wording and that the report would be presented to the Trust Board in October 2012. Mr Gardiner questioned the list of members in the appendix as he felt Ms Green had not attended any meetings due to maternity leave. Mrs Lynch agreed to check the information. Mr Evens further reported his concern relating to the Trust Governance as per the discussion at the start of the meeting. Mr Evens was concerned that a number of key staff from the Governance Department had left the Trust and this would have to be kept under review.

b. Audit Committee Meeting dates 2013

Mr Evens questioned the meetings dates for 2013 as it was recognised that due to the acquisition process a meeting was required before March 2013 and it was decided that a meeting should be held in February 2013.

c. Response to PwC Due Diligence Report

Mr Gardiner drew attention to the Trust's response to the PwC Due Diligence report. Mr Evens reported that he had referred to the response during that agenda item. Mr Evens queried if the Trust response had been made available to PwC, he further questioned the comment that PwC had made relating to the Board having had time to comment on the document. Mr Gardiner stated that the comments on the report had been shared with PwC. Mr Gardiner informed members that although the Trust had received the report it had had to await authorisation from Northumbria for the document to be shared.

ACTION: Any other business

- a. Annual Report: Mrs Lynch to check the meeting attendees and change the appendix in the annual report appropriately
- b. An audit Committee meeting to be arranged for February 2013

AC72/12 DATE, TIME AND VENUE OF NEXT MEETING

Tuesday 27 November 2012 at 9am in the Boardroom, Cumberland Infirmary, Carlisle.

Addendum: Due to the change of Trust Board dates the Audit Committee meeting date was amended to Tuesday 11 December 2012 at 9am in the Boardroom, Cumberland Infirmary.

AUDIT COMMITTEE ACTION LIST MEETING SEPTEMBER 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.	Chris Platton	February 2012 Revised Date May 2012. Revised date September 2012 Revised date December 2012	Ongoing – The meeting took place in May between Cheryl McAdams and Ramona Duguid. Action to be passed to Chris Platton in her role as Director of Governance to report back to November 2012
FEBRUARY 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	Anne Farrer/ Jacky Stockdale	May 2012. Amended Date September 2012 Revised date December 2012	Ongoing – Terms of reference incorrect with minor issues. Mrs Farrar agreed to pick this up with Mrs Stockdale

JUNE 2012				
AC43/12	Annual Governance Report 1. Mr Mulvey to confirm if the costs relating to the PCI unit were 'capitalised' as a whole	Alistair Mulvey	September 2012	Mr Gardiner reported that the PCI unit is a leased asset through PFI and all other costs were capitalized through the normal route – Action Completed
AC44/12	Annual Accounts. 1. NHSLA: Mrs Martlew to look into the background of the NHSLA payments to see if payments from all Trusts had been increased or if it was just NCUH payment that had been increased and feedback to members.	Gina Martlew	September 2012 Revised Date December 2012	Mrs Martlew to look at final accounts from other Trusts and report back at next meeting. Mrs Farrar reported that the information could be emailed out this week as all costs had increased. The NHSLA were prepared for our Trust to go from level 1 to level 3 in 2 years. The team was delighted with this and this would be a big saving for the Trust.
SEPTEMBER 2012				
AC54/12	a. Governance Plan to be brought to the next Audit Committee meeting.	Chris Platton	December 2012	

AC55/12	<p>Due Diligence Report</p> <ol style="list-style-type: none"> 1. Members with follow up questions following the meeting to send them to Mr Webster/Mr Gill for response. 2. Mrs Farrar to be invited to an SLR Steering Group meeting 3. The Board to be updated on a regular basis on the SLR work 	<p>All</p> <p>Eric Gardiner</p> <p>Eric Gardiner</p>	<p>December 2012</p> <p>December 2012</p> <p>December 2012</p>	
AC57/12	<p>Ms Siddall to be invited to attend the next Audit Committee meeting.</p>	<p>Jean lynch</p>	<p>December 2012</p>	
AC60/12	<p>Final Accounts Memorandum</p> <ol style="list-style-type: none"> 1. In relation to the PFI contract and the life cycle costs, Trust Executive Directors should note the issue relating to the payments made and the 50:50 split of funds left at the end of the contract. 2. A report to be brought to the next meeting of the Audit Committee highlighting the actions undertaken relating to the PFI contract and performance monitoring of the contract to ensure value for money. There should be tripartite working with Operations, Estates and Facilities and Finance but the Director of Nursing also had concerns so may need to be involved. 	<p>Eric Gardiner</p>	<p>December 2012</p>	

AC61/12	<p>Matters Arising</p> <ol style="list-style-type: none"> 1. Update on Medical Devices - Mrs Farrar to discuss with Mrs Platton the training requirements for nursing in relation to the medical equipment to ensure it is incorporated into the corporate system. 2. Update on Medical Devices - The follow up audit for medical devices to be presented to the Audit Committee at the meeting in February 2013. 3. Internal Audit Plan – Mrs McAdams to discuss with Mrs Farrar the requirements needed for the work Mrs Farrar wished to be undertaken relating to high spend areas and then progress the work. 	<p>Ann Farrar/Chris Platton</p> <p>Cheryl McAdams</p> <p>Cheryl McAdams</p>	<p>December 2012</p> <p>February 2013</p> <p>December 2012</p>	
AC62/12	<p>Quality Account Report</p> <p>Ms Martlew to send the correct report to Mrs Lynch for dissemination and the report to be added to the next Audit Committee meeting</p>	<p>Gina Martlew</p>	<p>December 2012</p>	
AC64/12	<p>Appointment of External Auditors for Trust and Charitable Funds.</p> <ol style="list-style-type: none"> 1. External Audit representatives to give clarification at the next meeting relating to the work to be done by external audit in for the Charitable Funds accounts. 2. Charitable Funds meeting to be set up in the first quarter of 2013. 	<p>Jackie Bellard</p> <p>Jean Lynch</p>	<p>December 2012</p> <p>March 2013</p>	

AC65/12	<p>Internal Audit Progress Report</p> <ol style="list-style-type: none"> 1. Mrs McAdams to amend the summary report and forward to Jean Lynch. 2. The Asset Management report to be brought to the next Audit Committee meeting. 3. The Informatics finalised reports to be brought to the next Audit Committee meeting. 4. A report to be presented to the next Audit Committee in relation to Asset Management and why Internal and External Audit showed differences in their opinions. 5. Mr Gardiner to review the actions of the Asset Management Report. 6. Mrs McAdams to present a full correct set of reports to the next Audit Committee meeting. 7. Mr Gardiner to report to the next Finance Committee meeting and the next Audit Committee meeting on the issue relating to the goods received not invoiced report. 	<p>Cheryl McAdams</p> <p>Cheryl McAdams</p> <p>Cheryl McAdams</p> <p>Cheryl McAdams</p> <p>Eric Gardiner</p> <p>Cheryl McAdams</p> <p>Eric Gardiner</p>	<p>December 2012</p> <p>December 2012</p> <p>December 2012</p> <p>December 2012</p> <p>December 2012</p> <p>December 2012</p> <p>December 2012</p>	
AC68/12	<p>Q1 Finance Report:</p> <ol style="list-style-type: none"> 1. The Director of Human Resources to attend the next Audit Committee meeting to give his assurance that a full investigation and lessons have been learnt following the negotiated settlement to an ex member of staff following a claim of unfair dismissal, race discrimination and harassment. 2. The finance report to note the reasons for procurement waivers being used and the next finance report to retrospectively show the reasons for the waivers already procured. 3. Mr Gardiner to amend the waiver form in reference to SFI, page 72, paragraph 17.5.3. 	<p>Jean Lynch</p> <p>Eric Gardiner</p> <p>Eric Gardiner</p>	<p>December 2012</p> <p>December 2012</p> <p>December 2012</p>	

AC69/12	SFI Update Mr Gardiner and Mrs McAdams to discuss the incorporation of the Bribery Act into the SFI document	Eric Gardiner/Cheryl McAdams	December 2012	
AC70/12	SLA Update A further update regarding the SLA issues to be presented to the Finance Committee Meeting in October.	Eric Gardiner	October 2012	
AC71/12	Any other business b. Annual Report: Mrs Lynch to check the meeting attendees and change the appendix in the annual report appropriately c. An audit Committee meeting to be arranged for February 2013.	Jean Lynch Jean Lynch	December 2012 December 2012	