

# North Cumbria University Hospitals



NHS Trust

**MINUTES OF THE AUDIT COMMITTEE HELD  
ON TUESDAY 21 MAY 2013 VC LINKED ANTE  
ROOM, WEST CUMBERLAND HOSPITAL, VC  
ROOM EDUCATION CENTRE, CUMBERLAND  
INFIRMARY, CARLISLE**

**Present:** Mr M Evens, Non-Executive Director (Chair)  
Prof. S Reveley, Non-Executive Director

**In Attendance:** Mr S Shanahan, Interim Director of Finance  
Mrs R Duguid, Acting Director of Governance/Company  
Secretary  
Mr E Gardiner, Deputy Director of Finance  
Ms H McDonnell, Assistant Director of Finance  
Mrs C McAdams, Head of Internal Audit  
Mrs J Bellard, Grant Thornton  
Mrs G Martlew, Grant Thornton  
Mrs J Lynch, Office Manager (minute taker)

**AC43/13 WELCOME AND APOLOGIES**

Mr Evens opened the meeting and welcomed everyone.

Apologies were received from Mr M Bonner. Mr Evens notified members that Mr Mundy, Chairman of Northumbria Audit Committee had planned to attend the meeting but due to our change of meeting date had tendered his apologies.

**AC44/13 MINUTES OF THE PREVIOUS MEETING**

It was agreed that the minutes were a true and correct record of the meeting.

**AC45/13 ACTION PLAN**

Please note the updated actions on the action list.

**AC46/13 MATTERS ARISING**

There were no outstanding matters.

**AC47/13 DRAFT ANNUAL GOVERNANCE STATEMENT**

Mrs Duguid presented the draft Annual Governance Statement and apologies for the late delivery of this report. The key points were noted:

- The report had been previously circulated to key members and feedback had been received which had been incorporated into the report.
- The Head of Internal Audit Opinion was still to be inserted into the document. An appendix showing attendance was also being finalised and would be added to the report.
- There were a number of queries from External Audit regarding the report and these are as follows:
  - In relation to Page 1, section 2; Governance Framework of the organisation; Mrs Bellard questioned if this statement was in the correct place as the conclusion was reported at the end of the document. Mr Evens also questioned the date of September 2012 in the conclusion as the conclusion had to report for the whole of the financial year; section 2 of the report 'talks' of the whole year so the conclusion did not meet requirements. Mrs Duguid agreed to amend the document.
  - Mrs Bellard questioned why Charitable Funds were reported in the document as she felt it was not required. Mrs Duguid informed members that it had been agreed that all the Committees that reported to the Trust Board would be included in the document.
  - Mrs Bellard queried why the document did not give more explanation relating to the core pillars of governance. Mrs Duguid that this information had been reported in detail in previous Annual Governance Statements but it had decided to reduce the information in this year's document. The information could be added back into the document if it was felt to be helpful. Mr Evens reported that it would be helpful to include that information.
  - Members discussed the "limited assurance" opinion that had been reported in the draft Head of Internal Audit Opinion and how it affected this document. Mrs Duguid said that reporting an overall conclusion of limited assurance would fundamentally change the Annual Governance Statement; she further reported that both Clinical Audit and NICE were already reported in the document.
  - Section 3.1, page 6 of the report; Mrs Bellard questioned the wording 'adequately trained' in bullet point 5. Members discussed this and it was felt appropriate that the wording be amended to 'inadequate numbers'.
  - Section 3.1, page 6 of the report; Mrs Bellard questioned the wording 'lack of robust' at the start of bullet point 4. Members discussed this and it was agreed that the wording be amended.
  - Section 3.1.1, page 7 of the report; Mrs Martlew questioned the wording in the final sentence in the 1<sup>st</sup> paragraph. This was discussed in detail by members and Mrs Duguid assured members that patients were not put at risk. It was agreed that the wording would be amended to reflect that the Trust was working to 'best practice'.
  - Mrs Martlew questioned the Trust mandatory training risk. Mrs Duguid informed members that the Trust had done work to address the level of mandatory training and mitigate the risk. The level of mandatory training undertaken continued to increase.
  - Mrs Martlew reported her concern relating to the wording 'fully meets' in the final sentence of the first paragraph and would discuss this with Mrs Duguid along with some other minor issues she still had.

Action: Annual Governance Statement  
Mrs Duguid to amend the document to reflect the changes as discussed at the meeting

**AC48/13**      **DRAFT VALUE FOR MONEY CONCLUSION (TABLED)**

Mrs Bellard tabled the draft Value for Money conclusion. The key points are noted:

- The opinion of the accounts did not include the future certainty of funding and this would have to be evidenced.
- Mr Evens questioned if the amount of strategic support quoted on page 4 included the PFI support. This would have to be removed from the figure as the PFI support was given in relation to a specific area and was not part of the strategic support.
- Mrs Duguid questioned if the lack of indicators relating to the Quality Accounts would delay the work required to provide the audit certificate as the work had been concluded and would be going to Trust Board for final review in May and then would be published in NHS Choices in June 2013. Mrs Duguid further reported that she had already met with Mrs Martlew in relation to the Quality Accounts and the document had been revised. Mrs Duguid and Mrs Bellard agreed to meet out with the Audit Committee meeting to discuss this concern further.
- Mr Evens informed External Audit that as the document had been tabled he would review it and feedback any issues to them directly. Mr Shanahan was meeting with External Audit later this week and would discuss any concerns at that meeting.

The report was **noted**.

**AC49/13**      **HOIA OPINION**

Mr Evens informed members that this document was currently in draft format and that he, Mrs McAdams and Mr Shanahan had met prior to this meeting to go through the report in detail.

Mrs McAdams confirmed that the report was currently in draft and following the meeting with Mr Evens and Mr Shanahan further work would be undertaken to look at the areas of NICE, CIP and CQC to evidence the further information that had been received in relation to those areas. In particular, members noted that the CQC audit report was only in draft at this stage. Mrs McAdams reported that this work would be done this week and she would feedback those results at the end of this current week. The final report would be produced at the end of May. Mrs Duguid and Mrs McAdams agreed that an urgent meeting was required to go through those areas and some other areas of concern.

The draft report was **noted**.

Action: HOIA Opinion  
Mrs McAdams to feedback on the additional work undertaken on the Draft HOIA Opinion by 25 May 2013.

**AC50/13      ISSUES REGISTER**

This item was discussed as part of the action list.

**AC51/13      DRAFT ANNUAL ACCOUNTS**

Mr Gardiner presented the draft Annual Accounts which were accepted by members. The key points were noted:

- A meeting with External Audit was arranged for later this week to go through any final issues.
- The Going Concern aspect had been added to the report following discussion with the TDA.
- In relation to the Trust contract with the CCG, there were some minor issues to resolve relating to the wording in the contract, but it was anticipated that the contract would be signed off before the accounts were approved. The contract with the Specialist Commissioners had not been received and Mr Gardiner was following this up.
- Members discussed the issue relating to the valuation of the Trust's building assets at WCH which are due to be demolished in 2015/16. It is unclear if the Depreciated Replacement Cost methodology used for these assets is a Modern Equivalent Asset valuation. If not, the Trust would need to amend its accounting policies.
- Mr Evens questioned the negative discount (note 1.17). Ms McDonnell reported that this was information given by the Treasury; the Trust did not use nor had any provision for them.
- Mr Evens queried the first sentence in note 9 and asked that any differences were noted in the report. Mr Evens further noted that the 3<sup>rd</sup> paragraph in this note ended in mid sentence. Mr Gardiner agreed to sort these issues.
- Members discussed the issue relating to parts of the estate that were being occupied by other Trusts. Mr Shanahan reported that this was an ongoing issue, to which Mrs Bellard reported that she had concerns relating to this. Further discussion on this issue would take place at the meeting between Finance and External Audit that was arranged for later that week.
- Mr Evens questioned the employee benefits (note 10) as it showed some of the non permanent staff having higher earnings than the highest paid Directors. Mr Shanahan reported that this was currently being addressed by the Trust recruiting to permanent posts.
- Mr Evens noted that in note 33 one of the sentences ended in mid sentence.
- In section 37.3 Mr Evens questioned the financial liabilities. Ms McDonnell reported that this was a formula error and should not be there. It was further noted that there was another formula error in section 41.1.

The report was **noted**.

Draft Annual Accounts

1. Mr Gardiner to look into the issues relating to the Accounts document.
2. Finance representatives and External Audit representatives to discuss the issues relating to leases for other Trusts occupying areas of our estate out with the Audit Committee meeting.

**AC52/13      JOINT AUDIT COMMITTEE MEETING**

Mr Evens informed members of the request to hold a joint Audit Committee meeting at Hexham Hospital on 27 September 2013. Members felt it was appropriate to hold the meeting and agreed to attend. Mrs Lynch was requested to report back to Northumbria with the list of members who would be attending the meeting.

Mr Evens further informed members that Mr Mundy, Chairman of the Northumbria Audit Committee Meeting would be attending our next Audit Committee meeting in June 2013.

Action: Joint Audit Committee Meeting

Mrs Lynch to report back to Northumbria accepting the offer of the joint meeting and confirming who will attend that meeting.

**AC53/13      TERMS OF REFERENCE**

It was noted that the Management Lead had been changed in the Terms of Reference to the Director of Finance and the Terms of Reference were approved.

**AC54/13      ANY OTHER BUSINESS**

There was no further business to discuss.

**AC55/13      DATE AND TIME OF NEXT MEETING**

Thursday 6 June 2013 at 9am in Seminar Room 2, Education Centre, Cumberland Infirmary, Carlisle (Accounts meeting).

**AUDIT COMMITTEE ACTION LIST MEETING APRIL 2013**

Minute Point Reference	Details of Action agreed	Action by whom	Timescale	Progress
<b>SEPTEMBER 2012</b>				
AC54/12	a. Governance Plan to be brought to the next Audit Committee meeting.	Ramona Duguid	December 2012. Amended date February 2013 Amended date May 2013 Amended Date Sept 2013	Complete -Following discussion at the May meeting it was agreed that this item should be replace with 4 new actions therefore this action is deemed as complete and the new actions are noted in the action list
AC65/12	Internal Audit Progress Report 1. The Informatics finalised reports to be brought to the next Audit Committee Meeting	Cheryl McAdams	December 2012 Amended Day May 2013	Complete – Mrs McAdams reported that final sign off of the report was awaited. The report would be issued following that. There had been a lot of work undertaken already in relation to this internal report.
<b>December 2012</b>				
	Quality Report a. Mrs Platton to look into the reporting of C Difficile information as the Trust was reporting it more stringently than required by the NHS Operating Framework.	Steve Shanahan/Ramona Duguid	February 2013	Complete – The Trust works with a national database and the reports received come from that system. The Trust works on the same system as many other Trusts who also use this national system

February 2013				
AC06/13	Draft Audit Committee Cycle 1. The report to be finalised in March 2013 and circulated to members	Ramona Duguid	March 2013, amended date June 2013	Complete – Agenda item June 2013 meeting
AC11/13	4.Procurement: Internal Audit and Finance to look at this report and report back on how the situation could be improved	Cheryl McAdams/ Eric Gardiner	May 2013	Complete – Mr Gardiner reported back to members on the system and the controls in place. Mr Shanahan also reported that he was given assurance at regular meetings with Mr Butcher, Head of Procurement services.
April 2013				
AC23/13	Clinical Audit Update Mrs Duguid to present a 6 monthly report on the work undertaken by Clinical Audit to give assurance to the Audit Committee	Ramona Duguid	September 2013	
AC24/13	Assurance Framework Mr Evens and Professor Reveley to pass their individual comments directly to Mrs Duguid.	Mark Evens/ Shirley Reveley	May 2013	Complete
AC27/13	Audit Committee Handbook Training 1. A 20 minute session to be undertaken at the next Audit Committee meeting to highlight the fundamental aspects. Mrs McAdams and Ms Bellard to undertake this session.	Cheryl McAdams/ Jackie Bellard	May 2013 Amended date Sept 2013	Complete – members agreed that this item should be removed. Professor Reveley had received a copy of the Audit Committee handbook and would raise any questions direct to internal and external auditors.
	2. Ms Bellard to bring the Value For Money Conclusion to the May meeting for discussion	Jackie Bellard	May 2013	Complete – Agenda item May meeting

AC28/13	External Audit Update Report Mr Shanahan to look into the reclamation of VAT on locum doctors	Steve Shanahan	May 2013	Complete – Mr Shanahan reported that he had taken advice from Grant Thornton. A report had also been presented to the FIP committee and they had been assured on the work the Trust was undertaking.
AC30/13	Audit Plan Mr Shanahan to report back to the May meeting on the move of Assets to an Excel spreadsheet from Oracle.	Steve Shanahan	May 2013	Complete – Mr Shanahan reported that the Trust and Northumbria used this system. Controls had been put in place and the system was tested on a regular basis also
AC31/13	Draft Internal Audit Plan 2013/14 Mr Shanahan to discuss with Mrs McAdams the scope and requirements of the Q1 audit on Service Line Reporting which would take place early September	Steve Shanahan	July 2013	
AC32/13	Internal Audit Progress Report Mr Shanahan to produce a management response to the internal audit limited assurance report on Network Security.	Steve Shanahan	Sept 2013	
AC33/13	Issues Register New Tracking System 1. The report to be brought to the May meeting, but to be circulated to Mr Evens, Mr Bonner and Mr Shanahan for their feedback before that meeting.	Cheryl McAdams	May 2013	Complete. Report to be circulated to members by 31 May 2013 and added to the agenda for June meeting
	2. Mrs McAdams to work with Directors to see what would be best in relation to the frequency of the reminder emails for actions.	Cheryl McAdams	May 2013	Complete – Meeting with Executive Team arranged

AC37/13	Finance Paper Q4 1. Mr Shanahan to report back on the issues relating to the write off of heavy oil.	Steve Shanahan	May 2013	Ongoing - Mr Shanahan to update further at the June meeting
	2. A report to be brought back to the Audit Committee giving details relating to the theft of cash from WCH.	Steve Shanahan/ Cheryl McAdams	September 2013	Ongoing - The issues relating to this item between external audit and finance to be discussed at a meeting 23 May 2013
AC38/13	PBR Assurance Report for NCUH Mr Shanahan to look into how the Trust could self audit and report back to the Audit Committee	Steve Shanahan	June 2013	
MAY 2013				
AC45/13	Governance Plan: 1. A report on Clinical Audit to be brought back to the Audit Committee	Ramona Duguid	Sept 2013	
	2. A report on NICE guidelines to be brought back to the Audit Committee	Ramona Duguid	Sept 2013	
	3. A report on Mandatory Training to be brought back to the Audit Committee	Ramona Duguid	Sept 2013	
	4. A report to be brought back to the Audit Committee on the overall strategy, including the CQC position for Outcome 14	Ramona Duguid	Sept 2013	
AC47/13	Annual Governance Statement Mrs Duguid to amend the document to reflect the changes as discussed at the meeting	Ramona Duguid	June 2013	
AC49/13	HOIA Opinion Mrs McAdams to feedback on the additional work undertaken on the Draft HOIA Opinion by 25 May 2013.	Cheryl McAdams	25 May 2013	

AC51/13	Draft Annual Accounts 1. Mr Gardiner to look into the issues relating to the Accounts document. 2. Finance representatives and External Audit representatives to discuss the issues relating to leases for other Trusts occupying areas of our estate outwith the Audit Committee meeting	Eric Gardiner  Steve Shanahan/ Eric Gardiner/ Jackie Bellard/ Gina Martlew	June 2013  June 2013	
AC52/13	Mrs Lynch to report back to Northumbria accepting the offer of the joint meeting and confirming who will attend that meeting	Jean Lynch	June 2013	