

North Cumbria University Hospitals



NHS Trust

**MINUTES OF THE AUDIT COMMITTEE HELD
ON TUESDAY 23 APRIL 2013 IN CLASSROOM
5, EDUCATION CENTRE, CUMBERLAND
INFIRMARY, CARLISLE**

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

In Attendance: Mr S Shanahan, Interim Director of Finance
Mrs R Duguid, Acting Director of Governance/Company Secretary
Mrs C McAdams, Head of Internal Audit
Ms J Bellard, Grant Thornton
Ms G Martlew, Grant Thornton
Mrs I Edgar, Deputy Director of Human Resources (AC24/13 only)
Ms C Siddall, Director of Operations (AC36/13 only)
Mrs J Lynch, Office Manager (minute taker)

AC19/13 WELCOME AND APOLOGIES

Mr Evens opened the meeting and welcomed everyone. Mr Evens informed every one of the changes to the order of items on the agenda. Two items would be deferred to the May meeting and these were the draft Annual Governance Statement and the draft Head of Internal Audit Opinion. Mrs Duguid would send out the draft Annual Governance Statement well in advance of the May meeting.

Apologies were received from Mr E Gardiner

AC20/13 MINUTES OF THE PREVIOUS MEETING

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

AC21/13 ACTION PLAN

Please note the updated actions on the action list.

AC22/13 MATTERS ARISING

There were no outstanding matters.

AC23/13 CLINICAL AUDIT UPDATE

Mrs Duguid informed members that following the discussion at the previous Audit Committee an annual report for 2012/13 against the

delivery of the plan had been presented to Trust Board in March 2013, which clarified where Clinical Audit currently stood in relation to the Trust priorities and the national programme. Since the Trust Board, a 2013/14 plan had been developed which had been reviewed at Executive Management Team Meeting and Clinical Policy Group and would be going to Trust Board in April 2013.. Mrs Duguid suggested that for assurance a 6 monthly report would be presented to the Audit Committee. Mr Bonner questioned the seriousness of the role that Governance was undertaking. Mrs Duguid reported that there was full commitment and the 6 monthly report should give assurance of the work being undertaken. Mrs Duguid further reported that the Governance Committee would receive the Service Improvement Plans on a regular basis.

The verbal update was **noted**.

Action: 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

AC24/13 ASSURANCE FRAMEWORK

Mrs Duguid informed members that the document had been approved at Trust Board in March 2013. The Trust was continuing to develop the 'Corporate Plan on a Page' and this work was being progressed with Northumbria. The finalised report would be presented to Trust Board in June 2013. Mrs Duguid asked members to note that the key risks highlighted in red were in the Annual Governance Statement; this was to ensure transparency and was in line with the Department of Health requirements. Mr Evens stated that the document was much better than previous produced documents and showed an improved quality of assurance. He added that there were still some gaps in the report.

Professor Reveley questioned the significance of the gaps in control and assurance and what was being done about these areas. Mrs Duguid informed members that she independently checked the risks and work was progressing in relation to additional training staff; the Resuscitation Committee had also been re-established and this would give more robust monitoring.

Both Mr Evens and Professor Reveley reported that they had comments that they would pass directly to Mrs Duguid.
The report was **noted**.

Action: Assurance Framework
Mr Evens and Professor Reveley to pass their individual comments directly to Mrs Duguid.

AC25/13 QUALITY ACCOUNT 2012/13

Mrs Duguid presented the Quality Account, which was accepted by members. Mr Evens questioned if the Governance Committee had reviewed this document to which Mr Bonner informed members that the

document had been discussed in great detail. Mr Evens questioned the depth of detail in some areas compared to others, whilst some areas did not have a lot of detail; Mrs Duguid reported that the document had been prepared following the national template, which was very prescriptive of what had to be included.

Professor Reveley queried if the document had gone to the CCG and the Overview and Scrutiny Committee, to which Mrs Duguid reported that it had; it had also been reviewed by the Patient Panel and feedback had been received. Members discussed the area relating to patient safety incidents and Mrs Duguid reported that she was unhappy with this section and it would be amended so that it was more easily interpreted by members of the public. Members further reported minor changes to the document that Mrs Duguid agreed to amend.

The report was **noted**.

Action: Quality Account 2012/13

1. Mrs Duguid to amend the section relating to patient safety incidents so that it would be more easily interpreted by the public.
2. Mrs Duguid to amend the document to reflect the minor changes as discussed by members of the committee.

Mrs Edgar joined the meeting for the next item.

AC26/13 TRUST WHISTLEBLOWING POLICY

Mr Evens welcomed Mrs Edgar to the meeting and gave members background information to the action. Mrs Edgar informed members on the details of the current policy which had been produced following new guidance. The document had been approved at Trust Policy Forum and had been to Trust Policy Group and following minor amendments would be going back to Trust Policy Group in May. Mr Evens questioned if the document would be going to the Workforce Committee to which Professor Reveley reported that it would be discussed at the meeting later that day. Mrs McAdams asked if the information she had requested had been incorporated into the document; Mrs Edgar confirmed it had. Mrs McAdams asked that the document be disseminated to staff to which Mrs Edgar reported that the Communications team were helping with this aspect.

Mr Evens thanked Mrs Edgar for attending the meeting and giving assurance on the document. Mrs Edgar left the meeting at this point.

AC27/13 AUDIT COMMITTEE HANDBOOK TRAINING

Members discussed the need for training in relation to the Audit Committee handbook and the following actions were noted:

1. Mrs McAdams to send a copy of the Audit Committee Handbook to Professor Reveley.

2. 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.
3. Ms Bellard to bring the Value For Money Conclusion to the May meeting for discussion.

Ms Bellard informed members that in relation to the handbook Grant Thornton had produced a Non Executive Director guide in relation to reviewing of the accounts and these were passed round to members of the committee.

Action: Audit Committee Handbook Training

1. Mrs McAdams to send a copy of the Audit Committee Handbook to Professor Reveley.
2. 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.
3. Ms Bellard to bring the Value For Money Conclusion to the May meeting for discussion

AC28/13

EXTERNAL AUDIT UPDATE

Ms Martlew presented the External Audit report which was accepted by members. The following key points were noted:

- A page had been included in the report which provided the links to the relevant areas of the Grant Thornton website.
- The statement of accounts had been presented for audit within the agreed deadline.
- A number of reports would be presented to the May meeting
 - Financial Resilience Report
 - No Costed Clinical Strategy: This was discussed by members and Mr Evens reported his concern on this item as it had been deemed vitally important by the SHA, the PCT and the Trust. Mr Shanahan reported that this was being discussed with Northumbria as part of 'moving forward', but had not been fully costed at this stage.
- Ms Martlew reported that in relation to the Quality Accounts she would be having further discussions with Mrs Duguid.
- Ms Martlew reported to members on the importance of the information on page 7 of the report relating to the Going Concern assumptions for NHS Trusts. Mr Evens informed members that this would be discussed as part of the adoption of the accounts. Ms Bellard reported that there was a meeting taking place nationally in May to ensure that all external auditors were all working together cohesively.
- Mr Evens reported that the Trust Board had not discussed the item on page 10 of the report relating to confidentiality clauses in contracts and compromise agreements. Mr Shanahan informed members that Professor Reveley would take this to the Workforce Committee and would report back to Trust Board.
- In relation to the issue of VAT and locum doctors; Mrs McAdams reported that Internal Audit was doing work on this and Mr Shanahan was asked to look into reclamation of VAT for locum doctors.

Action: External Audit Update Report
Mr Shanahan to look into VAT reclamation for the supply of locum doctors.

AC29/13 **2013/14 EXTERNAL AUDIT FEE**

Ms Bellard presented the 2013/14 External Audit Fee. Members noted the fee if the work undertaken part year and Ms Bellard reported that there had been discussion with Mr Shanahan regarding a reduction in the fee. Ms Bellard reported that if the acquisition went on longer than 1 October 2013 further discussion would be required in relation to what work would be needed. Mr Shanahan asked that the work should be planned for the year and reviewed when the Trust had received confirmation from the TDA on the acquisition date. Mr Shanahan also commented that the Trust would continue working with NHS Shared Business Services until the final accounts are produced post acquisition. Transactions for the new organisation will be handled with the implementation of the NEP Oracle solution.. Mr Shanahan and Ms Bellard to further discuss the requirements out with this meeting.

The report was **noted**.

AC30/13 **AUDIT PLAN**

Ms Bellard informed members that work had started and that the plan had been produced after the interim work had been completed. Ms Bellard apologised to members as it had been noted that some information had been left off the report accidentally and papers were handed round to show the missing information. The key points were noted:

- Mr Evens briefed Professor Reveley on the history relating to the PFI aspect.
- Mr Evens queried why the asset register is kept on an Excel spreadsheet instead of Oracle as this was an uncontrolled environment. Members discussed the benefits and disadvantages and Mr Shanahan was asked to report back to the May meeting following further discussion with his team members.
- A discussion was held relating to the breakeven duty and the requirements going forward for the Trust, in light of the acquisition. Mr Shanahan reported that the Trust was currently reviewing the Due Diligence work, along with the Long Term Financial Model in readiness for the monitor submission at the end of May. Ms Bellard reported that in relation to the breakeven duty there were a few Trusts nationally in the same position and the external auditors were looking to show consistency in their treatment.

The report was **noted**.

Action: Audit Plan
Mr Shanahan to report back to the May meeting on why the asset register is kept on an Excel spreadsheet instead of Oracle

AC31/13 DRAFT INTERNAL AUDIT PLAN 2013/14

Mrs McAdams presented the report which was accepted by members. The key points are noted:

- The report had been discussed with Executive Directors but a final discussion with Mrs McAdams Northumbrian counterpart was still required.
- The plan required more detail in some of the sections. The plan had been written as a full year plan with monthly monitoring taking place for some elements. The work detail was to be added to the plan.
- Mr Evens raised the question of an audit on Service Line Reporting (SLR) as he was concerned on the lack of progress in relation to this. Mrs McAdams reported that she was happy to add this to the audit plan and a discussion regarding timings of this audit would be required. Mr Shanahan reported that it would be prudent to wait until after the year end work had been finalised.
Mr Evens questioned which system Northumbria used. Mr Shanahan reported that Northumbria used a different system, Hyperion to us On a positive note it was noted that there was clinical engagement in some areas for Service Line Reporting.
- Discussion took place in relation to the Internal Audits for the current year and Mr Shanahan suggested that an audit of Quarter 1 SLR report be undertaken in early September. Mr Shanahan to define the scope of the audit and report the findings to the Finance Committee and Audit Committee. Mr Shanahan agreed to discuss the requirements further with Mrs McAdams outwith this meeting.

The report was **noted**.

Action: Draft Internal Audit Plan 2013/14 Mr Shanahan to discuss with Mrs McAdams the scope and requirements of the Q1 audit which would take place early September
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AC32/13 INTERNAL AUDIT PROGRESS REPORT

Mr Evens requested that most of the items in the report be discussed at the May meeting and that the limited assurance item on Network Security would be discussed at this meeting. Mrs McAdams reported that the internal audit report had been disputed by the Trust so additional testing had been undertaken, taking into account that work had been done in some areas, but had still come back with a limited assurance. Members discussed the areas that had caused the limited assurance and the work that had been ongoing with Cumbria Partnership Trust to resolve the issues. Northumbria Healthcare Foundation NHS Trust were also involved in the issues that were being discussed. Mrs McAdams reported that she had engaged technical experts in relation to this report. Mr Shanahan reported to members that the issues in relation to the IT technicalities were being discussed at a very high level, with correspondence also being exchanged. Mrs McAdams informed members that this report had not been shown to anyone outside of this Trust; she further reported that she

would be happy to bring their IT auditor to the next meeting to explain the technicalities relating to the report. Mr Evens asked that the Management Team produce a response to this report and asked Mr Shanahan to pick this up.

The report was **noted**.

Action: Internal Audit Progress Report

Mr Shanahan to produce a management response to the internal audit limited assurance report on Network Security.

AC33/13 **ISSUES REGISTER – NEW TRACKING SYSTEM**

Mrs McAdams reported to members on the new tracking system for recording outstanding audit actions. This was an electronic system which would report to both the Lead Director and the named person when actions were due to be completed. The system could be accessed directly so that actions could be updated. The auditors would then seek evidence to ensure the action had been done before signing the action as completed. The Audit Committee would receive reports showing what actions had been done/not done. The system can also report on the current state of actions, show pending reports and overdue reports. This system could also eliminate the need for follow up audits as the auditors will have the assurance when they sign the action as being complete. Members discussed the report and asked that the risk level be shown, along with whom the action belongs to.

Training would be undertaken by Directors and Senior Managers to ensure that they could access the system and give the input required. An 'idiot guide' had also been produced. Mr Evens asked if anyone had undergone the training to which Mrs McAdams informed members that there had not been any formal training but that Mr Gardiner had acted as a pilot for the system. The report to the May committee meeting would show the cleansed starting point.

Mr Shanahan informed members that the Chief Executive had discussed with all the Directors the requirements expected of them in relation to the follow up of Internal Audits recommendations and were expecting the new system. Mr Evens questioned when the reminder emails would be sent to the Directors to which Mrs McAdams reported that this had not been agreed. Mr Evens asked that Mrs McAdams worked with the Directors to see what would be best in relation to the frequency of reminder emails.

Mr Evens asked that the report be brought to the May committee meeting but that it was also circulated to Mr Bonner, Mr Evens and Mr Shanahan before the next meeting for them to comment on the report.

The report was **noted**.

Action: 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.
2. Mrs McAdams to work with Directors to see what would be best in relation to the frequency of the reminder emails for actions.

AC34/13 **LCFS ANNUAL REPORT 2012/13**

Mr Evens informed members that it would be taken as 'read' that members had read both the Annual Report and the LCFS Draft Workplan 2013/14.

Mr Bonner reported that he had noted the scale of days had been reduced. Mrs McAdams confirmed this and reported that the Trust had been in the pilot scheme in relation to this. Mr Bonner questioned if the level of provision was an acceptable level to which Mrs McAdams confirmed it was.

The Annual Report and LCFS Draft Workplan 2013/14 were **NOTED**.

AC35/13 **LCFS DRAFT WORKPLAN 2013/14**

This item was discussed as part of agenda item AC34/13,

Ms Siddall, Director of Operations joined the meeting for the next item.

AC36/13 **UPDATE ON 6 WEEK DIAGNOSTIC WAITING TIME**

Mr Evens welcomed Ms Siddall to the meeting and updated members on the background details to the action. The major issues relating to the report were the implications that staff were manipulating the figures to ensure the targets were met, with patients being slotted into at a week's notice and the 'clock' re-started. Ms Siddall informed members that since the report had been produced a lot of work had been undertaken by the Business Unit; this included a Diagnostic Improvement group which was responding to the information and actions in the report. An action plan had been produced to ensure all the actions were accomplished and assurance checks would also be undertaken.

In relation to all the breaches; breach analysis was being undertaken and these were now discussed at weekly diagnostic meetings. Work was also ongoing in relation to the breaches in month. The diagnostic pathway was being addressed with the aim of reducing the waiting time from 4 weeks to 2 weeks and this would address the in month breaches.

Policy Recording data; work was being undertaken in this area using the Northumbria Template. Ms Siddall was giving challenge on this and it was expected the work would be undertaken before the due dates.

Timing of appointments; the Business Unit was working on this aspect with staff members. Audits had been undertaken and further work was ongoing relating to the data manipulation to check assurance.

Ms Siddall also reported that the Trust was undertaking a lot of work in relation to patient referrals; tertiary referrals and card referrals. Dr Rushmer was leading on this work.

In relation to staff feeling under pressure to meet targets Mr Evens expressed his concern that this may be symptomatic across the Trust. Ms Siddall reported that historically staff members worked to targets but this was being addressed so that patient safety and quality was the main focus. Work was ongoing to address this, along with a culture of openness.

Mr Evens thanked Ms Siddall for attending and giving an update on the action.

Ms Siddall left the meeting after this item.

AC37/13 FINANCE REPORT QUARTER 4

Mr Shanahan presented the finance report for Quarter 4 which was accepted by members. The key points were noted:

- Members discussed the heavy oil that had been written off. Mr Shanahan informed members that he did not have the background information relating to this write off but he would look into this and report back at the May meeting.
- Mr Evens questioned the loss of cash. Mrs McAdams reported that this had been reported as a security issue as it had been theft of cash. Ms Martlew questioned if this was classed as fraudulent to which Mrs McAdams reported that the security management officer had dealt with this as theft. Members were not happy with this outcome and asked that a report be brought back to the Audit Committee detailing the theft, the controls issues and the problem with the staff.

Members **noted** the total value of losses and special payments for quarter 4 and **noted** the procurement waivers. Members **approved** the bad debts write off for quarter 4 2012/13.

Action: Finance Paper Q4

1. Mr Shanahan to report back on the issues relating to the write off of heavy oil.
2. A report to be brought back to the Audit Committee giving details relating to the theft of cash from WCH.

AC38/13 PBR ASSURANCE REPORT FOR NCUH

Mr Shanahan informed members that Capita were now undertaking this work previously undertaken by the Audit Commission. The key lines had been documented in the report and the Trust had signed up to this and

agreed an action plan. Mr Evens questioned the variability by specialty and Mr Shanahan informed members that there had been clerical errors, which had been addressed by training. Mr Evens and Mr Bonner expressed their concern in how the Trust audits itself and asked Mr Shanahan to look into how this is done and report back to the Audit Committee.

The report was **noted**.

Action: PBR Assurance Report for NCUH
Mr Shanahan to look into how the Trust could self audit and report back to the Audit Committee

AC39/13 **EQUAL VALUE UPDATE**

Mr Shanahan updated members on the current position relating to the financial aspect of the equal value claims. The funds that were being held by NHS Cumbria in relation to the equal value claims had been transferred to the Trust. All risks of future claims would be addressed by Northumbria Healthcare NHS Foundation Trust as part of the acquisition. Members discussed the amount of provision and Ms Martlew informed members that this would be covered as part of the audit.

The verbal update was **noted**.

AC40/13 **LETTER RE GOVERNANCE**

The letter was presented for information to Committee members.

AC41/13 **ANY OTHER BUSINESS**

There was no further business to discuss.

AC42/13 **DATE AND TIME OF NEXT MEETING**

Tuesday 14 May 2013 at 9am in the Boardroom at the West Cumberland Hospital, Whitehaven

AUDIT COMMITTEE ACTION LIST MEETING APRIL 2013

Minute Point Reference	Details of Action agreed	Action by whom	Timescale	Progress
SEPTEMBER 2012				
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	Ongoing – following return from Maternity leave a general update is required for Governance Plan which is currently being undertaken and report will be brought to the May Audit Committee Meeting.
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	Ongoing – Verbal Update to be given

December 2012				
	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	Verbal update to be given
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	Verbal Update to be given at meeting
AC10/13	External Audit Progress Report: 1. A brief session to be held at the next meeting to look at the issues, in relation to the auditing of the accounts, that had been dealt with ahead of time.	Eric Gardiner	April 2013	Complete - Recommendations had been made in the areas that had been looked at. More discussion would be held on PFI lifecycle costs.
AC11/13	Internal Audit Progress Report: 1. Mrs Duguid to include medical equipment in the patient safety walkabout information	Ramona Duguid	May 2013	Complete – all documents updated from May onwards
	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	Verbal Update to be given at meeting
AC16/13	Terms of Reference Mrs Duguid to amend the Terms of Reference to reflect the changes discussed at the meeting	Ramona Duguid	April 2013	Complete – agenda item May meeting

April 2013				
AC19/13	Annual Governance Statement Mrs Duguid to send out the document well in advance of the May Meeting	Ramona Duguid	May 2013	Complete – Agenda item May meeting
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	October 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	Verbal update to be given at meeting
AC25/13	Quality Account 2012/13 1. Mrs Duguid to amend the section relating to patient safety incidents so that it would be more easily interpreted by the public. 2. Mrs Duguid to amend the document to reflect the minor changes as discussed by members of the committee.	Ramona Duguid	May 2013	Complete
		Ramona Duguid	May 2013	Complete
AC27/13	Audit Committee Handbook Training 4. Mrs McAdams to send a copy of the Audit Committee Handbook to Professor Reveley. 5. 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. 6. Ms Bellard to bring the Value For Money Conclusion to the May meeting for discussion	Cheryl McAdams	May 2013	Complete
		Cheryl McAdams/Jackie Bellard	May 2013 Amended date Sept 2013	Moved back to September due to end of year work
		Jackie Bellard	May 2013	Ongoing - Verbal update to be given at the meeting
AC28/13	External Audit Update Report Mr Shanahan to look into the reclamation of VAT on locum doctors	Steve Shanahan	May 2013	Verbal update to be given

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	Verbal update to be given
AC31/13	Draft Internal Audit Plan 2013/14 Mr Shanahan to discuss with Mrs McAdams the scope and requirements of the Q1 audit 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	July 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. 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	Ongoing – moved back to September meeting
		Cheryl McAdams	May 2013	Ongoing – meeting to be arranged with Directors
AC37/13	Finance Paper Q4 1. Mr Shanahan to report back on the issues relating to the write off of heavy oil. 2. A report to be brought back to the Audit Committee giving details relating to the theft of cash from WCH.	Steve Shanahan	May 2013	Verbal update to be given
		Steve Shanahan/Cheryl McAdams	September 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	