

CHAIRMAN'S SUMMARY REPORT

This summary sheet is for completion by the Chair of any committee/group to accompany the minutes required by a trust level committee.

Name of Committee/Group:	Audit Committee	
Report From:	Chair of Audit Committee – Mr K Bryan	
Meeting Date:	1 March 2012	
Action Required by receiving committee/group:	<input checked="" type="checkbox"/> For Information <input type="checkbox"/> Decision <input type="checkbox"/> Other	
Aims of Committee: Bullet point aims of the reporting committee (from Terms of Reference)	<ul style="list-style-type: none"> Internal Control Internal Audit External Audit Financial Reporting 	
Drivers: Are there any links with Care Quality Commission/Health & Safety/NHSLA/Trust Policy/Patient Experience etc.	<ul style="list-style-type: none"> Links with External Audit/NHSLA and Monitor when authorised 	
Main Discussion/Action Points: Bullet point the main areas of discussion held at the committee/group meeting which need to be highlighted	<ul style="list-style-type: none"> Audit Committee had taken a particular interest in the Information Governance (IG) declaration given the issues flagged up by internal audit. Additional action had been taken under the remit of the IG Compliance Committee such that level 2 would be declared. New technical accounting treatment had been introduced in the NHS for the treatment of government grants and donated asset funding. This would impact on the Trust's I&E account but was not thought to be material. Additional guidance had been received from the Department of Health delaying the transfer of PCT properties until 1 April 2013. Internal audit had confirmed that their workplan would be completed by year end and that there were no significant issues raised from their work. 	

	<ul style="list-style-type: none"> • A plan for 2012/13 internal audit had been agreed and the main additional areas for review were agreed as:- <ul style="list-style-type: none"> - TCS and Benefits Realisation - CIPs and the set up of a Project Management Office - Quality - CQUINNs - Foundation Trust Status • External Audit confirmed that the interim audit work was progressing well and there were no concerns to date. • Audit Committee had approved the Charitable Funds audit plan for 2011/12. • Recommendations tracking and outstanding actions had improved slightly but vigilance was needed.
<p>Risks Identified: Include Risk Grade (categorisation matrix/Datix number)</p>	<ul style="list-style-type: none"> • None

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Minutes of the Audit Committee

Date Thursday, 1 March 2012
Venue Conference Room, Hollybush House
Time 9.30 am

Present:

<u>Name</u>	<u>Role</u>
Keith Bryan (Chair)	Non-Executive Director
Jeremy Vanes	Non-Executive Director

In Attendance:

<u>Name</u>	<u>Role</u>
Kevin Stringer	Chief Financial Officer
Natalie Ingles	PricewaterhouseCoopers
James Howse	PricewaterhouseCoopers
Glen Palethorpe	RSM Tenon
Paul Westwood	Coventry & Warwickshire Audit Service
Graham Argent (part)	Divisional Manager – Estates & Facilities
Matthew West (part)	Financial Controller
Adrian Sargent (part)	Trust Secretary
Anne-Louise Stirling	PA to Chief Financial Officer (minute taker)

A private meeting was held at 9 am for committee members to hold their annual meeting with Internal and External Audit.

Item No		Action
1	<u>Apologies for absence</u> D Sutton - Non-Executive Director, P Smith - Acting Hospital Security Manager, M Jones - PricewaterhouseCoopers and M Gennard – RSM Tenon.	

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Item No		Action
	The Chairman requested that a brief round the table introduction took place due to the number of new attendees to the committee.	
2	<p><u>Minutes of Previous Meeting dated 15 December 2011</u></p> <p>The minutes of the meeting held on the 15 December 2011, were agreed as a correct record.</p>	
3	<p><u>Matters arising from the Minutes</u></p> <p>The Chairman addressed each action item arising from the minutes of the last meeting. After discussion the committee agreed that all actions had been implemented, with the following exceptions:-</p>	Committee
6	<p><u>Page 4 - PricewaterhouseCoopers (PWC) – Findings from Early Audit Work on Radiology PFI Scheme</u></p> <p>The Chairman referred the committee to the briefing note received from S Ness (Deputy Chief Financial Officer) as requested at the December meeting. Following discussion the committee duly noted the potential impact of further slippage in PFI equipment receipted. J Howse advised the committee that following further discussions with S Ness he could now confirm that PWC would be more than happy to sign off the year-end accounts.</p>	
8.1	<p><u>Page 4/5 – Internal Audit Progress Report – Information Governance Toolkit (IGT)</u></p> <p>K Stringer advised the committee that he had met with J Odum (Medical Director) and confirmed that an action plan had been submitted to the IG Compliance Committee. The committee noted that the majority of the actions were now closed with only five open actions in place that would be completed by the end of March. K Stringer circulated a copy of the report to members and asked that any comments be forwarded to him outside of the meeting. Following further discussion K Stringer reassured the committee that based on IG Compliance Committee's work the Trust would declare a level 2 achievement by the end of March 2012.</p>	
10.2	<p><u>Page 8 – 2010/11 NHS Protect Qualitative Assessment Results</u></p> <p>P Westwood advised the committee that he had made contact with the author of the Qualitative Assessment Results report by 'NHS Protect' regarding the Trust's current level 2 status. Following a review of the counter fraud work carried out throughout the year the author had confirmed that he was happy with LCFS work done thus far and was positive that the improvement would move the Trust's status to a level 3.</p> <p>The Chairman enquired about the progress on the piece of work being carried out on control issues/procedures with regard to stock control of drugs.</p>	

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Item No		Action
10.4	<p>J Vanes advised the committee that he had raised this issue at the Board Assurance Committee and had been reassured that procedures/controls were in place.</p> <p>K Stringer confirmed that he had been assured that stock control procedures were in place for New Cross Hospital, but had reservations about controls in place for the Community.</p> <p>The Chairman raised the issue of medical equipment on loan to patients eg, walking frames and the subsequent loss and inevitable cost when items are not returned to the hospital. K Stringer agreed this was an area worth looking into and agreed to speak to both Internal Audit and Director colleagues and report back to the next meeting of the Committee.</p> <p><u>Page 9 – Implications of the Bribery Act</u></p> <p>P Westwood advised the committee that following the last meeting he had been advised that NHS Protect were in the process of changing the current model. Therefore, a static policy for the Trust would be drawn up once the new model was available.</p>	<p>K Stringer</p> <p>K Stringer</p> <p>P Westwood</p>
3.1	<p><u>Matters Arising on the Agenda</u></p> <p><u>2011/12 Technical Accounting Update</u></p> <p>M West presented to the committee for their information, a briefing note as requested at the December meeting, highlighting the changes in accounting policies due to government grants and donated asset funding.</p> <p>M West advised the committee that a summary of the changes by the Treasury to the accounting treatment of non-current assets funded by donation or government grants, together with detail of balances transferred from the PCT as part of the TCS transfer were detailed in the briefing note. The committee noted that all future donations have to be shown as income.</p> <p>M West drew the committee's attention to the last page of the briefing note regarding 'land and buildings to be transferred under TCS'. The committee noted that the land and buildings were expected to transfer during 2012/13.</p> <p>RESOLVED: The committee noted the report.</p>	
3.2	<p><u>Briefing Note – Private Patients & Overseas Visitors</u></p> <p>M West presented a briefing note on private patients and overseas visitors to the committee as requested at the December meeting, for their information.</p>	

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Item No		Action
	<p>The committee noted that K Stringer and J Odum (Medical Director) had reviewed the current policy and had taken appropriate action to ensure that procedures were enforced and staff awareness raised.</p> <p>The revised policy would be presented to the Policy Committee for ratification on the 9 March 2012.</p> <p>The committee noted that the new policy would seek to increase self-payers to pay 100% upfront for the cost of their treatment rather than 50% as in the old policy.</p> <p>M West advised that a clear message was being sent to all staff including medical staff of their responsibility when treating overseas patients.</p> <p>The Chairman raised the issue that some overseas visitors do receive an NHS number and asked that enquiries be made to ascertain if this number could be changed to identify the patient as being an overseas visitor and, therefore, required to pay. M West agreed to look into this issue and report back to the next meeting of the committee.</p> <p>RESOLVED: The committee noted the report and were satisfied with the action proposed.</p> <p>M West left the meeting.</p>	M West
4	<p><u>Declaration of Interest</u> The committee concurred there was nothing to declare.</p>	
5	<p><u>Security Report</u> In P Smith's absence G Argent (Divisional Manager – Estates and Facilities) presented the Security Report to the committee for their information covering the period 1 – 22 January 2012.</p> <p>G Argent advised the committee that items 1 and 2 of the report related to security measures within the Maternity Unit that had been put in place eg, CCTV, door access measures and a baby tagging system. The committee duly noted the measures now in place and confirmed they were reassured.</p> <p>The committee were referred to item 3 'review of incidents' by G Argent and asked whether this detail should be by calendar year or financial year. Following discussion it was agreed that this detail should be reported April – March in line with the financial year reporting practice. G Argent undertook to ensure this amendment was actioned for the next meeting.</p>	G Argent

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Item No		Action
	<p>It was noted by the committee that both the Annual Workplan and Annual Report for 2012/13 were currently being drafted and that the revised Security Policy was approved at the Trust Management Team meeting on the 24 February 2012.</p> <p>K Stringer highlighted to the committee a recent security breach that took place on the ground floor of Hollybush House, whereby a member of staff had a wallet stolen despite security access control doors to the corridors of Hollybush House. K Stringer asked whether a security check could be carried out on the lobby area as this was open to the public and not restricted. G Argent agreed to undertake a security review of the ground floor and following discussion agreed that the installation of CCTV might be an option. P Westwood asked if a communication had gone out to all staff reminding them to be vigilant at all times and to challenge anyone entering a secure area without an ID badge. G Argent said he would ensure this was also addressed.</p> <p>RESOLVED: The committee thanked G Argent for the updated security report.</p> <p>G Argent left the meeting.</p>	<p>G Argent</p> <p>G Argent</p>
<p>6</p> <p>6.1</p>	<p><u>Internal Audit – RSM Tenon</u></p> <p><u>Internal Audit Progress Report</u></p> <p>G Palethorpe presented the Internal Audit Progress report dated 1 March 2012 to the committee.</p> <p>The committee noted that seven reports had been finalised since the last meeting in December namely:-</p> <ul style="list-style-type: none"> • Data Quality 1 – Accident & Emergency (AED) Activity (06.11/12) – Amber Green Opinion • General Ledger (10.11/12) – Green Opinion • Key Financial Systems (11.11/12) - Green Opinion • Safeguarding Vulnerable Adults (12.11/12) – Amber Red Opinion • IT Key Financial Systems Review (13.11/12) – Amber Green Opinion • Charitable Funds (14.11/12) – Green Opinion • Payroll (including ESR implementation) – (15.11/12) – Green Opinion <p>The committee noted the detail on page 7, Appendix A which details the work undertaken to date in 2011/12 and highlights the recommendations arising and the level of assurance given.</p>	

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Item No		Action
6.2	<p>G Palethorpe reported that the audit opinion thus far was very positive.</p> <p>G Palethorpe advised the committee that he would circulate electronically a copy of a client briefing dated 23 February 2012, which related to Governance Statements replacing Statements on Internal Control (SICs), for information purposes. This briefing describes the changes proposed thus far.</p> <p>G Palethorpe confirmed to the committee that all planned audit work would be completed by the end of the year. The committee were reassured that there was nothing of any significance arising from work completed thus far and the Chairman concurred this was very encouraging.</p> <p>J Vanes noted that the Trust's performance had been consistent despite the disruption to service brought about by TCS. J Vanes enquired that in view of the TCS work and benefits arising would this form part of the workplan for 2012/13.</p> <p>K Stringer advised that the SHA Cluster Chair had advised that RWHT had been one of the few organisations who had completed the process well and benefitted from the merger.</p> <p>K Stringer advised that a company called TriSolve had been commissioned by the Trust to review the Cost Improvement Programme (CIP) and Project Initiation Documents (PIDs). The committee noted that there were currently over 200 schemes, which would be migrated over to the Trisolve system this would then facilitate the production of a report highlighting potential risks, milestones etc.</p> <p>The Chairman referred to page 5 section 4.3 'work in progress' – 'review of processes to ensure illegal workers are not recruited and identified' and queried as to why this was not an area that would be addressed by internal audit.</p> <p>G Palethorpe advised that discussion had taken place as part of the annual planning round with HR and that he had been reassured that policies and procedures were in place to ensure that all appropriate checks were carried out to assess a person's eligibility to work in the UK. P Westwood confirmed that he was also satisfied that all appropriate checks were in place.</p> <p>RESOLVED: The committee noted the report.</p> <p><u>Internal Audit Strategy 2012/13 – 2014/15</u></p> <p>G Palethorpe presented the Audit Strategy to the committee for approval, following prior discussion with Executive Directors.</p>	G Palethorpe

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Item No		Action
	<p>G Palethorpe advised the committee that the majority of future meetings would be attended by himself and not M Gennard. The committee noted this change in attendance for future meetings.</p> <p>G Palethorpe advised members of the committee that in producing the Audit Strategy objectives had been drawn up and a draft strategy discussed with Executive Directors to ascertain that there were no significant gaps or risks that had not been identified. The five main areas of discussion had centred around:-</p> <ul style="list-style-type: none"> • TCS and the benefits realisation • CIPs and the set-up of a Project Management Office • Quality • CQUINs • Foundation Trust status <p>The committee noted that the internal audit fee for 2012/13 would be £69,438 with a plan of 280 days (30 days carried forward from the 2011/12 plan).</p> <p>G Palethorpe referred the committee to page 3, Appendix A – Strategy for Internal Audit 2011/12 – 2013/14 and page 10, Appendix B – Detailed Internal Audit Plan 2012/13.</p> <p>J Vanes referred to page 1 ‘key areas discussed with management’ point 5 ‘Foundation Trust status’ and advised that this linked heavily into page 15, which details the ‘assurance and advisory work to address specific risks’. J Vanes suggested that areas of concern that could affect the Trust gaining FT status were difficult; mortality and Never Events and asked whether these areas would be suitable for review by Internal Audit. The Chairman asked K Stringer to review the Performance Report to ascertain if this was an area that required input from Internal Audit.</p> <p>The Chairman drew the committee’s attention to page 5, ‘resources section’ referring to TCS and labour productivity. Following the TCS merger the Trust now had approximately 6,500 staff and the Chairman asked how this would be benchmarked against other organisations to check productivity. K Stringer agreed to look at the national statistics available.</p> <p>The Chairman referred to Service Line Reporting (SLR) and asked for a regular report to be made available detailing the top 5 and top 5 losers.</p>	<p>K Stringer</p> <p>K Stringer</p>

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	<p>K Stringer advised that a monthly SLR report was produced and would ensure the Chairman received a copy.</p> <p>The Chairman referred to page 2, section 3 - 'Considerations for the Audit Committee' and asked K Stringer if he was satisfied with the plan as presented. K Stringer confirmed that he had no concerns with the Strategy as presented with the exception of the three areas raised by J Vanes. G Palethorpe acknowledged that the Strategy was approved subject to the 3 areas discussed earlier in the meeting.</p> <p>RESOLVED: The committee approved the plan.</p>	K Stringer
7 7.1	<p><u>External Audit – PricewaterhouseCoopers</u></p> <p><u>External Audit Progress Report</u></p> <p>J Howes presented the External Audit Progress Report detailing progress and activity since the December meeting of the committee.</p> <p>The following areas of activity were noted:-</p> <ul style="list-style-type: none"> • Payment by Results (PbR) Assurance follow-up work • Interim Audit Work • Audit Plan 2011/12 • Charitable Funds Audit Plan 2011/12 • Meetings with the Trust <p>J Howes advised members that the interim audit work was progressing well and there were no concerns thus far. With regard to the audit plan work J Howes advised that as previously reported there was still uncertainty regarding the accounting treatment for property assets due to transfer as part of TCS, however, it was anticipated that guidance would be released over the next couple of weeks. The committee noted that one asset transfer would be West Park Hospital and other facilities at a total cost of circa £20 million.</p> <p>J Howes advised members that Appendix A – 'Relevant Sector Information' was for information purposes only.</p> <p>The Chairman referred to page 6 and the section relating to 'Launch of Board Governance Guidance for aspirant Foundation Trusts', and referred to the current self-assessment being undertaken and asked K Stringer for a copy of the completed document when available.</p>	K Stringer

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Item No		Action
7.2	<p>RESOLVED: The committee noted the report.</p> <p><u>Draft Charitable Funds Audit Plan 2011/12</u></p> <p>N Ingles presented the draft Charitable Funds Audit Plan, relating to the audit of the financial statements for the year ending 31March 2012 to members of the committee.</p> <p>N Ingles referred to pages 2/3, ‘scope of audit’ and in particular the reference to increasing the reporting threshold for unadjusted misstatements to £3,000 rather than the current level of £1,000. Following discussion the committee agreed with the proposal that the new reporting level should be set at £3,000.</p> <p>The committee noted the three ‘areas of audit focus’ identified on pages 4/5, which summarises the following areas of risk to be audited:-</p> <ul style="list-style-type: none"> • Revenue recognition • Management Override • Transforming Community Services (TCS) <p>N Ingles alerted members to the additional piece of work that would have to be undertaken as a result of the TCS transfer resulting in 50 charitable funds being transferred from the PCT to the Trust on the 1 April 2011. The committee noted the detail of the audit work to be undertaken and the evidence required as part of the process.</p> <p>The committee noted the audit fee for 2011/12 would be £8,000 including a non-recurrent charge for the additional work to be undertaken with regard to TCS, as explained earlier in the meeting. K Stringer confirmed to the committee that he was happy with the proposed fees as presented and also with the reporting timetable as detailed on page 7.</p> <p>RESOLVED: The committee approved the draft Audit Plan for 2011/12.</p> <p>A Sargent left the meeting.</p>	N Ingles
8	<p><u>Counter Fraud – Coventry & Warwickshire Audit Services</u></p> <p>8.1 <u>2011/12 Counter Fraud Work Plan – Progress Report</u></p> <p>P Westwood presented the progress report detailing progress made against the Counter Fraud Work Plan, since the December meeting of the committee.</p>	

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Item No		Action
8.2	<p>P Westwood confirmed that work continued on the delivery of fraud presentations to staff at monthly Trust Induction sessions. In addition, fraud information packs promoting the role of the LCFS were now being emailed to all new employees who attended induction sessions.</p> <p>P Westwood referred to section 2.4 'Preventing Fraud', and updated members on progress since the December meeting of the committee. P Westwood advised that assurance had been received from Internal Audit that no weaknesses had been identified in relation to the two following areas:-</p> <ul style="list-style-type: none"> • Reimbursement of staff travelling expenses • Changes to supplier bank account details <p>Following discussion with K Stringer it was concluded that no further follow up work was necessary.</p> <p>P Westwood drew members' attention to Appendix 2 on page 10 of the report, which details each case received and currently under investigation.</p> <p>The Chairman referred to a particular closed case relating to an employee's non-attendance at college and concurred that it was not unreasonable for the Trust to request attendance details. Following discussion P Westwood confirmed that this information would be released if requested from colleges. The Chairman asked K Stringer to pursue this issue with the HR Director to ensure that appropriate checks are undertaken to clarify attendance of employees on study leave.</p> <p>RESOLVED: The committee thanked P Westwood for the update on progress made against the work plan to-date.</p> <p><u>NHS Protect Quality Assurance Programme – 2010/11 Qualitative Assessment</u></p> <p>P Westwood presented to members of the committee, for their information, the final assessment report on the counter fraud arrangements for the Trust.</p> <p>As discussed earlier in the meeting P Westwood reiterated that he had met with the author of the report who had indicated that if the report had been produced at a later date then the Trust would have received a level 3 assurance rather than a 2. P Westwood advised that the current practice in place was that a level was awarded against a cross selection of work submitted, however, this approach may change in the future.</p> <p>RESOLVED: The committee noted the report.</p>	K Stringer

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Item No		Action
9	<p><u>Recommendation Tracking</u></p> <p>K Stringer presented the 'Summary Recommendation Tracking' report to the committee for their information.</p> <p>The Chairman noted that there was a slight improvement on the number of outstanding recommendations that had been closed down since the last meeting of the committee. However, the Chairman requested that the situation be continually monitored and regular chasers sent to managers to remind them of their responsibility to complete the action by the due date.</p> <p>RESOLVED: K Stringer undertook to pursue this issue with Director colleagues.</p>	K Stringer
10	<p><u>Losses and Compensation Payments</u></p> <p>K Stringer presented the 'Losses and Compensation Payments' report to members of the committee for their approval.</p> <p>The committee noted the losses and special payments authorised from 1 December 2011 to 31 January 2012 under delegated authority.</p> <p>The Chairman asked K Stringer for an additional column to be added to future reports detailing the accumulative figure.</p> <p>K Stringer advised the committee of a further loss of £90,000 that had just been identified. A company trading under the name of Trentco who are contracted to supply the Trust with pathology consumables had gone into liquidation. K Stringer advised that this loss would be reported in detail at the next meeting for write-off.</p> <p>J Vanes asked K Stringer if there were any similar potential risks to the Trust. K Stringer advised that he would be commissioning the Procurement Department to carry out a piece of work to check and validate any further lease arrangements.</p> <p>K Stringer concurred to the committee that it was sometimes advantageous to the Trust to pay upfront for lease arrangements as this could result in a substantial saving eg. a three year lease as opposed to a one year lease. However, the risk had to be considered carefully against the potential saving. K Stringer undertook to report back to the committee at a future meeting on the outcome of the review.</p> <p>RESOLVED: The committee noted the report and agreed to the recommendations as detailed.</p>	K Stringer

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Item No		Action
11	<p><u>Issues of significance arising from Board Assurance Committee</u> J Vanes advised that there were no issues to report arising from the Board Assurance Committee.</p> <p>RESOLVED: No matters arising from Board Assurance of note.</p>	
12	<p><u>Any Other Business</u> The Chairman advised that the Executive Summary of the Audit Questionnaire would be circulated to members in due course.</p>	Chairman
13	<p><u>Date and time of next meeting(s)</u> Joint meeting of Board Assurance Committee and Audit Committee – Thursday, 26 April 2012 at 12 noon in the Conference Room, Hollybush House</p> <p>Audit Committee - Thursday, 7 June 2012 at 9 am in the Conference Room, Hollybush House</p>	