

## Trust Board Report

<b>Meeting Date:</b>	28 January 2013
<b>Title:</b>	Summary of Issues Considered by the Audit Committee on 13 <sup>th</sup> December 2012
<b>Executive Summary:</b>	This report sets out the more significant matters which the Audit Committee discussed at its most recent meeting, in order to provide information and assurance to the Trust Board.
<b>Action Requested:</b>	To note the report
<b>Report of:</b>	Mr Surrinder Kalirai, Non-Executive Director and Acting Chair of the Audit Committee
<b>Author:</b> <b>Contact Details:</b>	Mr Surrinder Kalirai Tel 01902 695953      Email      @nhs.net
<b>Resource Implications:</b>	None
<b>Public or Private:</b> (with reasons if private)	Public Session
<b>References:</b> (eg from/to other committees)	None
<b>Appendices/ References/ Background Reading</b>	None
<b>NHS Constitution:</b> (How it impacts on any decision-making)	In determining this matter, the Board should have regard to the Core principles contained in the Constitution of: <ul style="list-style-type: none"> <li> Equality of treatment and access to services</li> <li> High standards of excellence and professionalism</li> <li> Service user preferences</li> <li> Cross community working</li> <li> Best Value</li> <li> Accountability through local influence and scrutiny</li> </ul>

### Background Details

<b>1</b>	<p>The Committee held its fourth meeting in this financial year on 13<sup>th</sup> December.</p> <p>Apart from the usual items on Security, Counter-Fraud Activity, Losses and Compensations, and Recommendation Tracking, the following more significant matters were considered:</p>
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### **Internal Audit Reports**

The Trust's Internal Auditor reported on having completed audit reports since the September meeting to address **specific risks** in the following:

- Data Quality – grade 3 or 4 pressure ulcers
- Business Continuity arrangements
- Clinical Coding Process review
- IG Toolkit (advisory)
- Clinical Audit – consideration of the Healthcare Quality Improvement Partnership's 'Clinical audit – Ten simple rules for NHS Boards' (advisory)

The Committee were assured to find that the summary report regarding Business Continuity Arrangements showed no high or medium risk recommendations requiring management attention. However, the summary reports in respect of Data Quality – Grade 3 or 4 Pressure Ulcers and Clinical Coding Process Review each contained high and medium actions, although neither attracted an outright "red" opinion from the Auditor. The Committee sought clarification around issues raised and noted that actions were being taken to mitigate the risks identified. The advisory report on the Information Governance Toolkit also contained some high and medium actions, and in this case the Committee was assured that strenuous effort was being made to ensure that there was a robust structure to support and drive the information governance agenda in the Trust. To that end, the ICO had been invited into the organisation to undertake an assessment of systems and procedures and to offer advice on necessary changes.

The Internal Auditor also reported on having completed **core assurance** audit reports in respect of:

- CQC – Gathering, recording and quality of evidence
- Programme Management Office: Cost Improvement Plans
- General Ledger
- Creditors
- Payroll
- Cash Receipting and Banking – New Cross General office
- Cash Receipting and Banking – West Park General office

Some of these reports flagged up medium actions but the Committee were assured after discussion and challenge that management have agreed to take actions to improve controls in order better to manage the risks.

The Committee requested the Internal Auditor to undertake a compliance and effectiveness review around the systems and processes implemented to minimise the risks of occurrence of Never Events, on the basis that there has elapsed a sufficient period of time for the use of the WHO checklist to bed in.

### **External Audit Plan 2012/13**

The Committee received the Audit Plan for 2012/13 prepared by PricewaterhouseCoopers. The plan includes an analysis of key risks, the Auditor's audit strategy, audit and reporting timetable, and other matters. This year the Committee agreed to increase the threshold for reporting unadjusted misstatements to £100,000 (£50,000 in 2011/12). The Auditor's fees were also approved.

**Bribery Act 2010**

It is an offence under the Bribery Act 2010, which came into effect on 1 March 2011, for an employee to request, agree to receive or receive any financial or other advantage as an inducement to or reward for improper behaviour by them or anyone else. The Act also created a new corporate offence arising when commercial organisations fail to prevent persons associated with them from bribing another person on their behalf. To be able to defend any cases under the Act, an organisation must have put in place “adequate procedures” to prevent persons associated with it from bribing in any capacity. Although there is reference to the Bribery Act in the Corporate Governance Policy (GP01), a wider ranging and discrete policy is required, and therefore your Committee expect to receive a draft Bribery Act Policy at their February meeting, which once approved will be entered into the Trust’s processes.

**Minutes of the Audit Committee**

**Date** Thursday, 13 December 2012  
**Venue** Room 4, Wolverhampton Medical Institute  
**Time** 9.00 am

**Present:**

<u>Name</u>	<u>Role</u>
Surrinder Kalirai	Non-Executive Director (Acting Chair)
John Holder	Associate Non-Executive Director

**In Attendance:**

<u>Name</u>	<u>Role</u>
Kevin Stringer	Chief Financial Officer
Sandra Ness	Deputy Chief Financial Officer
Mark Jones	PricewaterhouseCoopers
Glen Palethorpe	RSM Tenon
Paul Westwood (part)	Coventry & Warwickshire Audit Service
Paul Smith (part)	Security Manager
Adrian Sargent	Trust Board Secretary (minute taker)

**Present by Invitation:** Sue Rawlings Associate Non-Executive Director

Item No		Action
17/2012	<p><b><u>Apologies for absence</u></b></p> <p>An apology for absence was received on behalf of Jeremy Vanes, who was Acting Chairman of the Trust Board, and was not attending in order to avoid any potential conflict of interest. It was noted that Ms Rawlings was present by invitation to observe and contribute to the meeting.</p>	
18/2012	<p><b><u>Minutes of the Meeting held on 6 September 2012</u></b></p> <p><b>Resolved:</b> That the minutes of the meeting held on 6 September 2012 be approved as a correct record.</p>	

Item No		Action
19/2012	<p><b><u>Matters arising from the Minutes of the Meeting of the Audit Committee held on the 6 September 2012</u></b></p> <p>1 <u>Private Patients (minute 4)</u> In response to a question, Mr Stringer indicated that the new Private Patients Policy was being implemented, but said that there remained issues around capturing private patient information in a timely way in order to ensure that arrangements to collect payments were effective. Ms Ness added that the main issue appeared to be ensuring that Doctors complied with the policy and advised the Private Patient Team in a timely way to enable the prompt collection of cash.</p> <p><b>Resolved:</b> That a progress report on the compliance with the Private Patient Policy be submitted to the February meeting of the committee.</p> <p>2 <u>Transfer of Properties to the Trust - Post Transforming Community Services (TCS) (minute 8.1)</u> Mr Holder asked for an update on progress around properties being transferred from the PCT to this organisation. Mr Stringer indicated that work was proceeding on the premise that properties associated with the community services that transferred to this organisation under TCS would go ahead from the 1 April, subject to the fulfilment of certain criteria, including that services provided by this Trust must occupy at least 50 per cent of each building in question. However, Mr Stringer added that there was now some uncertainty over whether the transfer would proceed from the beginning of April; nonetheless, work was continuing with the PCT to that end and due diligence was underway in respect of each of the buildings. Mr Holder asked whether the Trust would become a Landlord for the buildings in which it was a majority occupier. Mr Stringer confirmed that this was the case and that leases should already be in place for other occupants, for example GPs working in health centres.</p> <p>Mr Jones confirmed that PWC was also working on the assumption that the transfer would go ahead as planned, and that the Trust appeared to be as well prepared as it could be for this to happen.</p> <p><b>Resolved:</b> That a progress report on the transfer of Community Services properties to this Trust be submitted to the February meeting.</p>	<p>KS/SN</p> <p>KS</p>
20/2012	<p><b><u>Audit Committee Action Points</u></b> The Committee reviewed the list of Action Points, and the following observations were made:</p>	

Item No		Action
	<ul style="list-style-type: none"> <li>• Stock Control Procedures – Mr Palethorpe indicated that the draft report on stock control procedures was currently with management for the consideration of actions in relation to the recommendations, and that an update would be provided at the February meeting of the Committee.</li>   <li>• Benchmarking Labour Costs - Mr Stringer reported that although reference was made to this in his monthly finance report to the Trust Board, the substantive paper requested had not yet been produced. He said that, by comparison with a number of neighbouring Trusts, the Trust’s reference costs were very favourable. The national average was 100; the Trust was 95, Walsall 105, Dudley 99, and Mid Staffs 118. In addition, McKinseys had been requested to undertake a benchmarking exercise, and Ms Ness was involved in Regional work on Workforce Planning. Following a discussion of this matter, the Committee agreed that benchmarking labour costs was not an assurance or risk issue which required further attention by the Committee at this stage, and it was therefore agreed that this item be removed from the Committee Action List.</li> </ul> <p><b>Resolved:</b> That the report on the Committee action points be noted.</p>	<b>GP</b>
21/2012	<p><b><u>Declaration of Interest</u></b> No interests were declared at this meeting.</p>	
22/2012	<p><b><u>Security Report</u></b> Mr Smith submitted his quarterly report on security across the Trust, and highlighted the following points.</p> <ul style="list-style-type: none"> <li>• Capital Works within the Maternity Building – A simulated baby snatch exercise had been carried out; the Chief Executive’s walkabout of the site was now rescheduled for 8 January 2013 at which point the business case would be evaluated to assess what it would add to existing security arrangements.</li>   <li>• Community Premises Transferring to this Trust – Mr Argent was Chairing the working group to oversee the transfer of community services buildings and how this would impact on electrical services etc.</li> </ul>	

Item No		Action
	<ul style="list-style-type: none"> <li>• <b>Community Services –</b>                      As a result of discussions with groups of staff, the main concerns identified related to lone working, and violence and aggression. The majority of incidents of violence and aggression were being reported from West Park Hospital. Mr Stringer enquired about the reason for this, given that many of the patients had already been through New Cross Hospital and had not on the face of it generated concerns about such incidents.                       Mr Smith said that the cause was not clear, although it was acknowledged that there could be a slightly different reporting culture at West park Hospital, and that the length of stay could be a factor which lay behind some of the incidents.</li> <li>• <b>Review of Incidents –</b>                      The largest number of incidents during the period under review related to the theft of personal property, whereas incidents of damaged Trust property were minimal and appeared to be predominantly accidental. In response to Mr Holder’s question about the frequency for emptying the cash boxes at the car park payment machines, Mr Smith told the Committee that they were emptied daily for notes and three times a week for coins and notes. In response to a suggestion, he said that the possibility of emptying them more often would be examined, adding that Mr Argent was looking at the possibility of installing new machines (the existing ones were over ten years old) and relocating them to inside the hospital buildings.</li> <li>• <b>ID Card Procedure Review and Update –</b>                      Mr Smith informed the Committee that the aim was to introduce one system for all staff, covering both hospital and community services, with effect from 1 April 2013.</li> <li>• <b>Stop and Search Policy –</b>                      The purpose of this would be to target staff that were suspected of stealing items from the Trust, but it had not yet been possible to discover such a policy in use in a similar NHS trust.</li> <li>• <b>Mini Dome CCTV Protocol –</b>                      The Committee noted that this protocol, which was currently with Human Resources for approval, related to surveillance of areas with a known high incidence of damage or theft.</li> </ul>	<p><b>GA/SN</b></p>

Item No		Action
	<p>Mr Stringer reported that although the introduction of the automated number plate recognition system from 10 October 2012 had gone relatively well, there had been a problem with the information from APCOA in that approximately 400 staff had not been charged for the first few weeks of car park usage, and this would have to be rectified with staff being requested to make the October payments in December. He added that internal audit might be requested next year to look into the process of data capture, from camera to payroll. In response to questions he indicated that the original estimate of use and income had been much higher than had so far been the case.</p> <p><b>Resolved: That the quarterly report on security within the Trust be noted.</b></p>	
23/2012	<p><b><u>Counter Fraud Report – Coventry &amp; Warwickshire Audit Services</u></b></p> <p><u>Fraud Progress Report 2012/13</u></p> <p>Mr Westwood submitted his quarterly report which provided an update against the activities included in the Trust's 2012/13 fraud work plan, and provided a separate section setting out investigations received to date. He guided the Committee through the key outcomes for the investigations undertaken during the financial year to date.</p> <p>He indicated that he was behind plan in respect of awareness activities. In response to a question from Mr Stringer, he confirmed that fraud awareness activities were undertaken within Community Services and that he anticipated more joint working with Mr Paul Smith going forward. The Chair asked if there was the capacity to recover the planned days for deterrence and prevention. Mr Westwood reported that he had lost two members of staff, but that he anticipated recruiting one replacement early in the new year and that some of the planned days should be recovered before the end of the financial year. Mr Stringer pointed out that the Trust paid for investigations as they occurred, and suggested that the Committee receive a report at the next meeting examining progress at that time in respect of deterrence and prevention work, and facilitating consideration of how to ensure adequate resourcing of awareness activities in future. In response to a further question, Mr Westwood indicated that it had been anticipated earlier this year that NHS Protect would produce draft guidance by the late Spring in relation to the Bribery Act 2010. NHS Protect had now indicated that they would not be producing such guidance and, therefore, Mr Westwood had asked one of his Local Counter Fraud Specialists to draft a policy for approval by all clients. He added that this Trust had arranged for its Executive Directors to make a leadership statement in respect of the Bribery Act, and an 'all users' email in respect of it had also been circulated previously.</p>	

Item No		Action
	<p><b>Resolved:</b> That the quarterly report on fraud related activities in the Trust be noted, and that a report on a proposed policy under the Bribery Act 2010 be prepared for the February meeting.</p>	<p><b>PW</b></p>
<p>24/2012</p>	<p><b><u>Internal Audit Report – RSM Tenon</u></b></p> <p><u>Internal Audit Progress Report</u></p> <p>Mr Palethorpe presented the quarterly progress report against the Internal Audit Plan 2012/13, summarising progress against each assignment, and giving information about changes in the plan. He highlighted that although there were no red opinions, there were some “high” actions which should be closed off in a timely manner, and progress against these would be reflected in his Overall Opinion.</p> <p>During discussion of the key findings from the internal audit work through each assignment, a number of matters were discussed and these are summarised as follows.</p> <ul style="list-style-type: none"> <li>• <b>Assignment: Data Quality Grade 3 or 4 Pressure Ulcers –</b> In response to comments, Mr Palethorpe agreed to add to future reports the implementation dates agreed for actions and the Director lead. Responding to Mrs Rawlings question on how findings were disseminated to staff, Mr Palethorpe responded that reports were presented to the appropriate Directors who were then responsible for disseminating the contents. Internal Audit returned after a reasonable length of time to ensure that the actions were being carried out. Mr Stringer informed the Committee that it had recently become apparent that nurses visiting patients’ homes were spending a significant amount of time on paperwork, and that in an attempt to streamline the process digital pens were being introduced, and it was hoped that the “pressure ulcer assessment form” would be included in this modernisation process.</li> <li>• <b>Clinical Coding Progress Review –</b> Mr Stringer commented that work had been taking place to improve the identification of co-morbidities when patients entered the hospital, in order to ensure that charges were appropriately made. This had contributed to a CIP project. He added that Clinical Coders relied upon information recorded in patients’ records, which highlighted in turn the importance of these records being kept up to date. The Committee noted that the clinical coders had made significant changes to their modus operandi in the last 12 months, and this month had achieved 95% coding within the first five working days after the month end, which would assist the Trust undertaking future audit work.</li> </ul>	<p><b>GP</b></p>

Item No		Action
	<ul style="list-style-type: none"> <li>• <b>IG Toolkit –</b> Mr Palethorpe noted that the Trust currently had a representative of the ICO in attendance, looking at procedures and processes and offering advice on how things might be strengthened. Mr Stringer explained that the action plan arising from the Internal Audit Advisory Report would be submitted to the Information Governance Committee and then to the Trust Management Team. The report would also be submitted to the Trust Board in February.</li>   <li>• <b>Programme Management Office: Cost Improvement Plans –</b> Mr Stringer urged the Committee to maintain a keen interest in the Cost Improvement Programme, for which a high standard of documentation was vital, and particularly in regard to the quality assessments. Mr Palethorpe said that this assignment would be revisited in the 2013/14 plan. He explained that the Trust must be confident that if one CIP Scheme failed to deliver the savings expected, other schemes would be ready in reserve to be introduced at short notice in order to make good the required savings. He also emphasised the need to ensure that the quality indicators were related to the existing quality KPI's.</li>   <li>• <b>Creditors –</b> In response to questions, Mr Palethorpe reported that there was no evidence that invoices were being deliberately mislaid to depress expenditure. In response to Mr Holder, Ms Ness said that although there had been no third party checks, there had recently been an exercise by Trust VAT Advisors which had given some assurance that payment processes were being appropriately followed. Mr Palethorpe indicated that there had not yet been any work done on debtors, as it had been agreed to substitute this for the Pharmacy Stock control audit but that this was likely to feature in the Audit Plan for 2013/14. He pointed out that there would be a large amount of work at month 9 on income verification involving payments between NHS bodies, which was a nationally driven requirement. Ms Ness added that this year this exercise would be more time consuming and complicated given the significant structural changes within the NHS and the loss of key staff from PCTs over recent months. Mr Holder asked whether the Trust was managing to reconcile suspense accounts and achieve balance reconciliation within month. Mr Palethorpe said that this was normally being achieved, and any which took place outside of the month were documented. Mr Kalirai asked about reconciliations to supplier statements and Ms Ness confirmed that this was done, and would bring an update to the next meeting.</li> </ul>	<p style="text-align: right;"><b>SN</b></p>

Item No		Action
	<p>The Committee requested the Internal Auditor to undertake a compliance and effectiveness review around the systems and processes implemented to minimise the risk of occurrence of Never Events, on the basis that there had elapsed a sufficient period of time for the use of the WHO checklist to bed in.</p> <p>Mr Stringer, referring to the findings around the Payroll assignment, mentioned the potential development of this service. The PCT had served notice to exit the service but had invited the Trust to bid for CCG payroll. In addition, the Trust was bidding to the Black Country Partnership, and involved in merger discussions with Dudley Group and Walsall Healthcare.</p> <p><b>Resolved:</b> That the quarterly report from RSM Tenon on progress against the Internal Audit Plan 2012/13 be noted.</p>	<p><b>GP</b></p>
25/2012	<p><b><u>External Audit 2012/13 - PricewaterhouseCoopers</u></b></p> <p><u>2012/13 External Audit Plan</u></p> <p>Mr Jones presented the External Audit Plan 2012/13. The plan included an analysis of key risks, the auditor's Audit Strategy, audit and reporting timetable, and other matters. The Committee considered the threshold for reporting unadjusted mis-statements, and decided that as a number of the Non-Executives on the Committee had changed within the last 12 months only a modest increase would be advisable. Mr Jones indicated that during the last year there had been four unadjusted items, two worth approximately £70,000, one worth £122,000 and one worth £281,000. He assured the Committee that he would continue to inform the Chief Financial Officer of any unadjusted mis-statements which were below the agreed threshold, and that anything under the threshold which caused concern would be reported to the Committee as a matter of course.</p> <p><b>Resolved:</b> That the External Audit Plan 2012/13 be approved, and that the threshold for reporting unadjusted mis-statements be set at £100,000 (increased from £50,000 in 2011/12) for 2012/13, and that the Audit Fees set out on page 13 of the report be approved, and that the extension of the five year appointment term of Mr Jones for a further two years as Engagement Leader with the Trust be approved.</p>	

Item No		Action
26/2012	<p><b><u>Recommendation Tracking</u></b> Mr Palethorpe reported that work to validate recommendation tracking within the Trust was continuing. Mr Stringer said that a robust approach was being taken to deal with actions which had not yet been followed through, and that as a last resort Managers may be asked to attend the Audit Committee to give an account of their response to the Internal Audit Reports.</p>	
27/2012	<p><b><u>Standing Financial Instructions – Authorised Signatories Update</u></b> <b>Resolved:</b> That the authorised limits within Standing Financial Instructions be amended, as set out in Appendix A to the report.</p>	<b>SN</b>
28/2012	<p><b><u>Losses and Compensation Payments</u></b> Ms Ness presented the quarterly report on losses and compensations. She outlined background details of the overpayment of salaries in two cases.  Mr Holder requested that future reports of this nature give comparable figures for the previous 12 months.  <b>Resolved:</b> That the losses and special payments approved by the Chief Financial Officer, and detailed in the report, be noted.</p>	<b>SN</b>
29/2012	<p><b><u>Dates and Times of Meetings 2013</u></b> <b>Resolved:</b> That the Audit Committee meet at 9 am on the following dates in 2013:  Tuesday 26 February (informal meeting with auditors 8.30 am - 9.00 am) Thursday 25 April (joint meeting with Board Assurance Committee 12.30-3.00 pm) Thursday 6 June Thursday 5 September Tuesday 10 December  (<b>Note:</b> Date of meeting in June subject to confirmation of the Annual Accounting timetable and Trust Chairman to be invited to attend for this meeting only).</p>	<b>ALS</b>
30/2012	<p><b><u>Issues of Significance Arising from Board Assurance Committee on 25 October 2012</u></b> The Chair said that in the absence of Mr Vanes he had obtained a copy of the draft minutes of the Board Assurance Committee held on 25 October and had satisfied himself that there were no matters to be raised at Audit Committee today.</p>	
31/2012	<p><b><u>Any Other Business</u></b> No other business was raised at the meeting.</p>	

Item No		Action
32/2012	<p><b><u>Date and Time of Next Meeting</u></b></p> <p>It was noted that the next meeting would be held on 26 February 2013, with a private meeting with the Auditors at 8.30 am, and the formal business of the Committee commencing at 9.00 am.</p> <p>The meeting concluded at 12 noon.</p>	