

Minutes of the Audit Committee

Date Thursday, 23 February 2017
Venue Conference Room, Hollybush House
Time 9.30 am

Present:

<u>Name</u>	<u>Role</u>
Mr Roger Dunshea	Non-Executive Director (Chairman)
Mrs Rosi Edwards	Non-Executive Director
Mrs M Martin	Non-Executive Director
Dr J M Anderson	Non-Executive Director

In Attendance:

<u>Name</u>	<u>Role</u>
Mr Kevin Stringer	Chief Financial Officer
Mr Aidan Quinn	Interim Deputy Chief Financial Officer
Mr David Sharif	KPMG
Mrs Shauna Mallinson	RSM
Mr Paul Smith (part)	Security Manager
Mr Paul Archer (part)	Governance
Mr Paul Westwood (part)	Coventry & Warwickshire Audit Service
Ms S Allan (part)	Senior HR Manager – Resourcing
Miss J Lawrence (part)	Head of Information
Mr A Sargent	Trust Board Secretary
Mrs Anne-Louise Stirling	Personal Assistant to the Chief Financial Officer (minute taker)

Item No		Action
1/2017	<u>Apologies for absence</u> Mr M Gennard (RSM), Mr A Bostock (KPMG)	
2/2017	<u>Minutes of the previous meeting</u> The minutes of the Audit Committee meeting held on the 8 December 2016 were reviewed and approved as an accurate record.	

<p>3/2017</p>	<p><u>Matters Arising</u></p> <p><u>Internal Audit Report – Recruitment Process 2.16/17 – Briefing from Sarah Allan, HR</u> The Chair introduced S Allan from the HR Department and advised that as requested at the last meeting she had been invited to attend to provide assurance on the recommendations put forward by Internal Audit in the Internal Audit report- ‘Recruitment Process’.</p> <p>For ease of reference S Allan circulated a briefing paper to all attendees providing assurance on the current position regarding the Trust’s recruitment process. She explained that the Internal Audit report had been circulated in August 2016 and contained a number of high level recommendations some of which had now been implemented within the HR department, but a number of them remained outstanding.</p> <p>S Allan advised that presently the HR recruitment function was decentralised within the Trust, however, a Business Case was being produced which proposed a centralised recruitment model to standardise processes and improve efficiency.</p> <p>M Martin referred to the audit report and specifically to the ‘high’ recommendation for the DBS checks and asked what progress had been made on this action. S Allan responded that a ‘look back exercise’ had been completed last August to ensure that this element was up to date for all relevant employees within the Trust.</p> <p>J Anderson raised the issue of agency staff locums being employed at short notice by the Trust and how the organisation ensured that the correct employment checks had been undertaken before employment commenced. S Allan advised that the LMS system used by the Trust to book any temporary doctors from agencies held all the comprehensive checks online and in addition, the Trust used the Procurement Framework Agreement, which agencies have to be enlisted on before they are approached for agency work.</p> <p>RESOLVED: The Chair thanked S Allan on behalf of the committee for the detailed briefing paper and the assurance provided on action taken to date with regard to this Internal Audit Report.</p>	
<p>4/2017</p>	<p><u>Audit Committee Action Points</u></p> <p>The committee reviewed the list of Action Points and agreed upon, which items had been actioned and could be deemed closed.</p> <p><u>Consultant Job Planning</u> A Quinn advised that following the last meeting and the request for further data on HRGs and new outpatient per consultant for the last year, J Lawrence (Head of Information Services) had been invited to present to members on the consultant/non-training grade job plans.</p> <p>J Lawrence addressed members of the committee describing in detail the activity database and the performance metrics available for each consultant employed by the Trust. She advised that the database was available via the Portal and held details, for example, on day case or outpatient volumes of activity for consultants, which in turn could be used for revalidation and job planning.</p> <p>She advised that the Finance/Information Departments use the detail on the database for contracting and to establish trends for the current year and future years.</p>	

	<p>With regards to information sharing within the organisation J Lawrence advised that weekly 'performance meetings' are held by the Chief Operating Officer looking at clinic utilisation and RTT levels in detail.</p> <p>M Martin and J Anderson both shared concern with regard to Consultant job plans and the need for this area to be addressed. The Chair concurred that this was a major risk for the Trust and that additional information on how data was captured and used for job planning would be beneficial to the committee. He, therefore, asked that the Medical Director, Chief Operating Officer and a Divisional Medical Director be asked to attend the next committee meeting to discuss this matter further.</p> <p>RESOLVED: The chair thanked J Lawrence on behalf of the committee for the detailed presentation. Going forward members asked for additional information on how this and other data was captured and used for job planning.</p>	K Stringer
5/2017	<p><u>Declaration of Interest</u> No interests were declared at this meeting.</p>	
6/2017	<p><u>Quality Governance Assurance Committee (QGAC)</u> R Edwards advised members that there were no issues of significance to update members of the committee on in relation to the business of the QGAC meeting.</p>	
7/2017	<p><u>Finance and Performance Committee (F&PC)</u> M Martin updated members on areas of concern following the F&PC meeting.</p> <p>M Martin thanked S Mallinson and the Internal Audit team for their help in undertaking the first self-assessment of the effectiveness of the committee. She advised that there had been positive feedback from members of the committee and that she would be setting some objectives for the coming year.</p> <p>With regard to the meeting held yesterday M Martin advised that two draft objectives were discussed:-</p> <ul style="list-style-type: none"> • Improving some of the information in the Supplementary Finance Report and producing a more focused action orientated report; and • Looking at data capture/quality and engaging with front line staff to understand how clinical coding can be improved <p>RESOLVED: The Chair thanked M Martin for the update on issues of note arising from the business of the F&PC meeting.</p>	
8/2017	<p><u>Trust Management Committee (TMC)</u> K Stringer advised members of issues of significance arising from the TMC meeting, as follows:-</p> <ul style="list-style-type: none"> • There were no new risks to be noted. 	

	<ul style="list-style-type: none"> • Discussion had been held regarding the flu vaccine and how to improve on the take-up figure for next year. • On the performance side there was concern over delayed transfers of care due to social care. K Stringer advised that the Chief Executive would be speaking to members of the City Council about this issue. This issue was on the Trust's Risk Register. <p>RESOLVED The Chair thanked K Stringer for the update on issues of note arising from the business of the TMC meeting.</p>	
9/2017	<p><u>Board Assurance Framework (BAF)</u></p> <p>P Archer updated members of the committee on the progress made with regard to the alignment of the BAF with the Trust's strategic objectives.</p> <p>He advised that very little had changed since the last report had been published. Indeed, there were seven risks in total on the BAF of which five were 'red risks' and two were 'amber'. It was noted that of the five 'red risks' one related to Workforce and four related to Finance.</p> <p>With regard to Risk 4472 delays in Accident and Emergency Directorate, there was positive reassurance in that 15 additional nursing staff had been recruited resulting in a reduction of the risk rating.</p> <p>The Chair asked P Archer if he felt the new system was working well to which P Archer confirmed that it was.</p> <p>RESOLVED: The Chair thanked P Archer for attending and providing an update on the progress and development of the BAF.</p>	
10/2017	<p><u>Internal Audit – RSM</u></p> <p><u>Internal Audit Progress Report</u></p> <p>S Mallinson presented the progress report to the committee providing an update on progress against the 2016/17 Internal Audit Plan. She advised that work continued to progress well against the plan and would be completed in readiness for the 31 March 2017.</p> <p>It was noted that the following Internal Audit reports had been finalised since the last meeting of the committee:-</p> <ul style="list-style-type: none"> • Divisional Governance – including Risk Management (8.16/17) • Emergency Department Activity Information and Recording (12.16/17) • Creditors (18.16/17) • Data Quality - Patient Harm Free Care (19.16/17) • IT Controls with ESR and Integra (20.16/17) • Charitable Funds (21.16/17) • Debtors (22.16/17) • General Ledger (23.16/17) • Capital Programme and Asset Management (24.16/17) 	

	<ul style="list-style-type: none"> one medium risk recommendation for 2016/17 regarding the need for the Trust to strengthen and complete its review of general ledger access <p>It was noted that the interim work was nearing completion and that there were no significant issues that would affect the end of year audit and accounts approval.</p> <p>Referring to page 7 on the 'Use of Resources', A Bostock confirmed that there had been no changes to the initial risk assessment detailed in the Audit Plan for 2016/17, namely –</p> <ul style="list-style-type: none"> delivery of the Trust's CIPs the Trust's work with its local health economy partners in its Sustainability and Transformation Plan development of the integration with primary care and management of the risks <p>and highlighted some of the key issues that had been identified as part of this work to members.</p> <p>A Bostock advised the committee that with regard to the work undertaken on behalf of the Trust in relation to the potential changes to the approach in valuing tangible assets using the Alternative Site Methodology this would be discussed in greater detail as a separate agenda item later in the meeting.</p> <p>RESOLVED: Members of the committee noted the detail of the Interim Report.</p>	
12/2017	<p><u>MEA Alternative Site Valuation for Trust's Land and Buildings</u></p> <p>K Stringer presented the report on the MEA Alternative Site Valuation for the Trust's land and buildings prepared by GVA (the Trust's independent Valuation Advisers).</p> <p>Members were asked to note the impact of adopting replacement costs based on the cost of a Modern Replacement Asset that has the same productive capacity as the property being valued, and approve the adoption of Alternative Site Valuation Methodology for Trust's Land and Buildings.</p> <p>The Chair advised that by way of additional explanatory information he had requested two briefing papers to be prepared by both the Trust and KPMG, as further background information for members.</p> <p>K Stringer asked members to note that the report did not change accounting principles that it was in fact a different method of valuation to that currently practiced and this was supported by the report presented by GVA, which was based on alternative site revaluation.</p> <p>This change of valuation process gave the Trust a potential annual saving on the Income and Expenditure account of circa £6 million - consisting of £2.4 million saving on depreciation costs and £3.6 million saving of Public Dividend Capital payments (PDC). This resulted in an improved year end cash balance of £3.6 million, when compared to the original annual forecast, as a result of lower PDC being payable.</p>	

	<p>K Stringer advised that this new approach was endorsed within the Treasury Manual of Accounts and had been adopted by many of the neighbouring Trusts and was the preferred option of the NHSI.</p> <p>Following discussion it was agreed by members of the committee that the new approach be adopted subject to audit opinion and Board approval. M Martin advised that a clear communication should be issued before the Annual Accounts were made public explaining the new approach adopted by the Trust.</p> <p>RESOLVED: Members of the committee endorsed the proposal in principle subject to audit opinion and further discussion at the Board.</p>	
13/2017	<p><u>Losses and Compensation Payments</u></p> <p>K Stringer presented the report on Losses and Special Payments for the period 1 November 2016 to 31 January 2017.</p> <p>Members of the committee noted and approved the following:-</p> <ul style="list-style-type: none"> • losses and special payments authorised within Officers delegated limits in the period from 1 November 2016 to 31 January 2017, the Chief/Deputy Chief Financial Officer authorised £7,088.33 for 11 cases of losses and special payments under delegated powers; • Personal Injury Claims of £94,393.25 (34 cases); and • Total losses and special payments in the period of £101,481.58, 45 cases, with the total for the 2016/17 year of £308,066.48, 110 cases. <p>R Edwards addressed the issue of overseas visitor costs to the Trust and enquired what plans were in place for charging visitors for their treatment. K Stringer acknowledged that this was a real issue for the Trust and confirmed that discussion had taken place and was on going regarding a more assertive approach to collect payment. He confirmed that the Trust was currently waiting for further guidance to be released on this issue and once received it would enable the Trust to move forward. However, in the meantime it was imperative that when a patient was admitted to hospital that front line staff were aware of the processes in place to capture payment for treatment in relation to overseas visitors.</p> <p>RESOLVED: The committee approved the detail in the Losses and Special Payments report and recommended the report be presented to the March meeting of the Trust Board for final approval.</p>	
14/2017	<p><u>Organisational Fraud Risk Assessment 2016 – Update</u></p> <p>K Stringer presented the Organisational Fraud Risk Assessment update report to members of the committee and advised that the report would be used to inform the Internal Audit and Counter Fraud Plan for 2017/18.</p> <p>Members noted that, in order for the Trust to meet the requirements of Standard 1.4 of the NHS Anti-Fraud Standards for Providers it was required to undertake an assessment of its fraud risks.</p>	

	<p>K Stringer advised that this work had been finalised by S Ness (Deputy Chief Financial Officer) prior to her departure, but that he along with a number of authors had contributed to the final report.</p> <p>Referring to the checklist of potential fraud risk scenarios that could arise within the Trust together with the RAG rating that had been applied to each scenario by various Managers across the organisation, K Stringer advised that there was only one high RAG rating and that the remainder were either rated medium or low.</p> <p>RESOLVED: Members of the committee noted the content of the assessment report.</p>	
15/2017	<p><u>Counter Fraud – Coventry & Warwickshire Audit Services</u></p> <p><u>Progress Report</u> P Westwood presented the Anti- Fraud Progress Report to members of the committee, summarising activities undertaken during the year to date.</p> <p>It was noted that there had been two investigations raised since the last meeting of the committee in December 2016, one of which had been closed as detailed in the progress report and the second investigation was nearing completion. P Westwood confirmed that any new allegations received between now and the 31 March would be discussed with K Stringer for action by the new Counter Fraud supplier.</p> <p>With regard to the National Fraud Initiative carried out this year, of the 264 matches recommended for investigation, 240 of which were noted to relate to creditors and highlighted possible duplicate payments in excess of £1,000. P Westwood confirmed to the committee that the matches identified would be passed to the Finance Department for action and the remainder would be reviewed and if necessary handed over to the new anti-fraud provider.</p> <p>Members noted the detail provided at Appendix 1, in relation to the ‘Summary Status Update’ and the position of the Trust relating to individual standards was for information purposes only.</p> <p>P Westwood advised that the Annual Report and Annual Review toolkit would be completed by the 31 March 2017.</p> <p>Members noted that as from the 1 April 2017 Grant Thornton would be the Trust’s new Counter Fraud provider and in this regard P Westwood confirmed that a handover process would be put in place in readiness for the 1 April 2017.</p> <p>The Chair on behalf of the committee thanked P Westwood for his hard work in supporting the Trust on LCFS issues.</p> <p>RESOLVED: Members of the committee noted the detail in the progress report.</p>	
16/2017	<p><u>Security</u></p> <p><u>Progress Report</u> P Smith presented the Security Report to members of the committee.</p>	

	<p>Members noted that the Maternity Unit security upgrade Business Case had been deferred until the new financial year for consideration.</p> <p>P Smith reported that there had been one incident of damage to Trust property in Quarter 3, which was significantly lower than the same quarter in the previous year.</p> <p>With regard to Incidents of Violence/Abuse it was noted that the overall total was higher than the previous quarter in 2015/16.</p> <p>P Smith reported that the Trust's <i>Security Policy OP26</i> had now been reviewed and launched and that training sessions were being provided for the amendments to the <i>Management of Violence and Aggression</i>, attachment to the policy.</p> <p>Members of the committee were pleased to note the marked improvement of the performance of the new Hospital security service Carlisle. There was a clear increase in performance with only 2.5% of calls unattended, which was a marked improvement on the previous quarter.</p> <p>R Edwards enquired about patients who were issued with a 'red card' and what the process would be in relation to any treatment they would need going forward. P Smith advised that the process was that patients with a 'red card' would have to attend a neighbouring hospital for treatment. However, this would mean that the Trust would have to accept a 'red card' patient from a different hospital.</p> <p>RESOLVED: Members of the committee noted the detail in the quarterly progress report on security issues within the Trust and thanked P Smith for the detailed update.</p>	
17/2017	<p><u>Audit Committee Review of Effectiveness</u></p> <p>The Chair referred members to the questionnaire recently completed reviewing the effectiveness of the committee. He thanked S Mallinson for undertaking the exercise on the committee's behalf.</p> <p>Referring to page 5 of the report, the Chair drew members attention to the 'Action Plan' that had been summarised therein. He advised that he was pleased to report that there were no major concerns as to the committee's effectiveness, but acknowledged that the committee could do better in terms of some of the understanding and clarity of the decisions made and shared with the Board.</p> <p>The Chair advised that he would draw up an action plan and share with the committee at a future meeting.</p> <p>RESOLVED: The overall conclusion by members was that this was a positive report and outcome for the committee.</p>	Chair
18/2017	<p><u>Audit Committee Workplan 2017</u></p> <p>Members of the committee reviewed and noted the workplan for 2017.</p>	
19/2017	<p><u>Any Other Business</u></p> <p><u>Internal Audit Plan 2017/18</u></p> <p>K Stringer advised that the planning for the Internal Audit Plan 2017/18 was discussed at the Executive Directors meeting last week.</p>	

	<p>However, due to apologies at the meeting the list of potential topics drawn up by the Chair was not concluded on and will, therefore, be recirculated again for further consideration outside of the meeting.</p> <p>The Chair concluded that once the Directors have reviewed the list of potential audit areas and added any topics for consideration it would be reviewed again by both himself and K Stringer before being put forward to the Internal Auditors for consideration.</p> <p>R Edwards suggested the following three areas for auditing –</p> <ul style="list-style-type: none"> • Roll out of new forms – patient statement directive – how to find new forms etc. • End of Life in the Community – pathway and community care • Waterloo scores used in the community <p>She advised that whilst the above areas may not warrant an Internal Audit approach they could be looked at in some other forum.</p> <p>J Anderson suggested ‘mortality figures and coding’ as a potential area. K Stringer responded that the Trust was seeking to get an independent view of mortality and were currently agreeing the terms of reference for the work to be carried out.</p> <p>RESOLVED: K Stringer undertook to discuss further with Executive Director colleagues and report back to the Chair with a definitive list of areas for the Internal Audit Plan 2017/18.</p>	K Stringer
20/2017	<p><u>Evaluation of Meeting</u></p> <p>The Chair concluded that the meeting had progressed well despite the large number of agenda items. He also acknowledged that the presentations received from HR and the Information Departments had been very well received by the committee.</p>	
21/2017	<p><u>Date and Time of Next Meeting</u></p> <p>Joint meeting of the Quality, Governance and Assurance Committee and the Audit Committee on the 19 April 2017 at 1 pm in the Board Room, Corporate Skills Building.</p>	