

Audit Committee Minutes 7 September 2017

Agenda Item No: 12.6

Minutes of the Audit Committee

Date Thursday, 7 September 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

In Attendance:

<u>Name</u>	<u>Role</u>
Mr Kevin Stringer	Chief Financial Officer
Mr David Sharif	KPMG
Ms Allison Rhodes	Grant Thornton – Internal Audit
Ms Joanne Brown	Grant Thornton – Internal Audit
Mr Suki Pooni	Grant Thornton – Counter Fraud
Mr Mark Kinsella	Grant Thornton – Counter Fraud
Mr Richard Jones (part)	Deputy Security Manager
Ms Maria Arthur (part)	Governance
Ms G Nuttall (part)	Chief Operating Officer
Dr Brian McKaig(part)	Consultant Gastroenterologist/Associate Medical Director
Mrs Anne-Louise Stirling	Personal Assistant to the Chief Financial Officer (minute taker)

Item No		Action
45/2017	<p><u>Apologies for absence</u> Helen Troalen – Deputy Chief Financial Officer, Paul Smith – Security Manager and Andrew Bostock - KPMG</p>	
46/2107	<p><u>Minutes of the previous meeting held on the 26 May 2017</u> The minutes of the Audit Committee meeting held on the 26 May 2017 were reviewed and approved as an accurate record.</p>	

<p>47/2017</p>	<p><u>Matters Arising</u></p> <p><u>Consultant Job Planning</u></p> <p>The Chair introduced G Nuttall and B McKaig to members of the committee, in attendance to provide an update on the current position with regard to ensuring that all consultant medical staff have a current and approved job plan in place. This followed concerns raised in previous internal audit reports over the lack of progress in this key contractual matter.</p> <p>B McKaig advised members of the committee that he had been formally asked to address this issue two years ago following the Lord Carter review. Following a lot of work he confirmed that 50% of consultants had an agreed job plan. Members noted that action plans were in place with Directorates including how to support staff complete the job plans. It was envisaged that by December there would be 80% sign up. B McKaig reported that it was important not to lose the goodwill of the consultant body when completing job plans.</p> <p>Members noted that an Excel job planning document had already been introduced. This spreadsheet provides a record of the doctors' job plan, weekly timetabled activities, objectives and authorised sign off sheet. This ensures that the process is open and transparent. S Pooni asked if the job planning exercise would take account of private practice to which B McKaig confirmed that it did.</p> <p>G Nuttall advised that the Trust would need to invest in an IT system that could deliver all Trust requirements including reporting and governance requirements and this is currently being explored. However, the cost to the Trust would be high with a start-up fee of approximately £60k and an annual licence fee of £30k. An option appraisal would be undertaken to consider the return on investment to ensure the anticipated benefits could be delivered should the Trust wish to pursue this.</p> <p>D Shariff enquired who was ultimately responsible in the Trust for consultant job plans. G Nuttall advised that responsibility was joint with J Odum, Medical Director and herself.</p> <p>Members of the committee thanked B McKaig and G Nuttall for attending and presenting a very detailed progress update. It was agreed that an update report would be provided at the December meeting of the committee.</p> <p>RESOLVED: Members of the committee noted the detailed update position on the progress of completing consultant Job Plans.</p> <p><u>Action Plan – Effectiveness of the Audit Committee</u></p> <p>The Chair tabled an action plan in relation to the 'self-assessment of the effectiveness of the committee' that had taken place earlier in the year.</p> <p>Members noted the detail in the six points presented. However, with regard to point number two, on assessing the performance of the auditors, it was suggested that the Counter Fraud Service and Security Service performance should also be included.</p> <p>RESOLVED: The action plan was duly noted by members of the committee.</p>	<p>G Nuttall/ B McKaig</p> <p>Chair</p>
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48/2017	<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>	
49/2017	<p><u>Declaration of Interest</u></p> <p>No interests were declared at this meeting.</p>	
50/2017	<p><u>Quality Governance Assurance Committee (QGAC)</u></p> <p>R Edwards advised members on areas of concern following QGAC in July.</p> <p>R Edwards advised that at a recent Patient Safety Improvement Group (PSIG) a report had been presented citing 154 actions relating to SUIs across the Trust, which were outstanding. She reported that PSIG had asked for assurance with regard to the process in place to monitor actions along with the risks associated with actions remaining open. Whilst PSIG will continue to monitor, R Edwards suggested this may be an area that Internal Audit could review, in order to get assurance from a devolved point of view in the future. The Chair noted this was included in the internal audit plan.</p> <p>The Chair thanked R Edwards for the update on issues of note arising from the business of the QGAC meeting.</p>	
51/2017	<p><u>Finance and Performance Committee (F&PC)</u></p> <p>M Martin updated members on areas of concern following the F&PC meeting.</p> <p>M Martin advised that the Service Line Reporting (SLR) quarterly report had been presented to the F&PC on the 6th September. She advised that the Deputy Chief Financial Officer had presented a report requesting approval to discontinue and replace Service Line Reporting with monthly Patient Level Costing. She reported that there was concern with the lack of discrete IT systems working in solo as there was no data warehouse in place, resulting in a lot of duplication and manipulation of data being held. K Stringer agreed that the Trust had significant amounts of data be it paper or electronic as current systems were not connected. The Chair asked if this was something that Internal Audit could look at in the future. Following discussion it was agreed that this would be something to be carried forward to next year's Internal Audit Workplan.</p> <p>The Chair thanked M Martin for the update on issues of note arising from the business of the F&PC meeting.</p>	<p>Grant Thornton</p>
52/2017	<p><u>Trust Management Committee (TMC)</u></p> <p>K Stringer briefed members of the committee on issues of significance, but reminded members that no meeting of TMC had been held in August.</p> <p>K Stringer advised that discussions within the Trust had been held regarding capping maternity numbers/births after concern had been raised about capacity and manpower levels by consultant medical staff. He further reported that neighbouring Trusts namely Dudley and Walsall had recently capped their capacity numbers. He informed members that a letter would be drafted to Commissioners notifying them of the intention that the Trust intends to cap maternity booking and admission numbers.</p>	

	<p>K Stringer briefed members on the issue of cladding on certain buildings on the hospital site following the Grenfell disaster and advised that this matter was being led by the Chief Executive and the Chief Operating Officer. He confirmed that the whole of the Trust site had been reviewed for cladding and a number of buildings had been identified as having cladding on them.</p> <p>K Stringer advised that whilst this cladding had been approved at the outset following the Grenfell incident safety levels had been reviewed, which had resulted in the Heart and Lung Centre being the biggest issue.</p> <p>K Stringer advised that it was important to bear in mind that the layout of the Heart and Lung Centre comprised of three floors and not a high storey building, had many exits and fire prevention and staff training. In addition that the Fire Service agreed that they would attend immediately to any call made to this building.</p> <p>It was noted by members that this has been logged as a risk on the Trust Risk Register and a decision would be made, based on expert advice, on whether cladding may need to be modified or replaced at the Heart and Lung centre. .</p> <p>The Chair thanked K Stringer for the update on issues of note.</p>	
53/2017	<p><u>Board Assurance Framework (BAF)</u></p> <p>M Arthur updated members of the committee on the progress made with regard to the Board Assurance Framework (BAF) since the last meeting of the committee in May 2017 when a final mock-up of the new formatted BAF was presented.</p> <p>M Arthur confirmed that the updated BAF now provided a further discussion point for the Trust Board to record risks affecting all strategic objectives and would be a high-level tool that interfaces with the TRR and local risk registers.</p> <p>It was noted that there are currently 6/7 risks under two strategic objectives, which are Finance and Performance. However, there are four strategic objectives where no risks are identified. M Arthur advised that although progress has been made as two objectives are being monitored there was a clear gap and the Trust needed to be able to demonstrate how the other four objectives were being monitored.</p> <p>M Arthur proposed that going forward that the BAF could be used as an active tool/framework to monitor strategic objectives, sub objectives and KPIs as part of the business cycle. K Stringer queried what the process for taking this forward would be as it had not been discussed before in an Executive Director forum. The Chair concurred on behalf of the committee that this should be taken to the Executive Directors for discussion and brought back to members of the committee.</p> <p>RESOLVED: the committee thanked M Arthur for the progress update and development of the BAF.</p>	K Stringer

54/2017	<p><u>Grant Thornton - Internal Audit</u></p> <p><u>Progress Report</u></p> <p>J Brown presented the progress report to the committee providing an update on Internal Audit progress and activity since the last meeting of the committee in May.</p> <p>J Brown advised that following a meeting at the end of June with members of the committee the Internal Audit Plan had been amended to reflect specific areas of risk and areas of focus for identified audit reviews and was presented today as part of the Progress Report.</p> <p>It was noted that work had been carried out in relation to the 4action tracker system which holds all 'medium and high' internal audit actions assigned to Trust managers for action by a specified deadline. J Brown reported that there was a high number of recommendations that were overdue their completion date and an exercise had been carried out to remind managers of their responsibility of updating the system with regard to assigned actions.</p> <p>Referring to the 'Internal Audit Plan' J Brown advised that five of the areas to be audited would be discussed in detail as a separate agenda item with specific Audit Planning Briefs being presented. A minor change to the Audit Plan was noted under the heading 'Mandatory Training' this should in fact read 'Recruitment and Retention', J Brown acknowledged this change.</p> <p>M Martin referred to the Waiting List Initiative (WLI) audit review and advised that as patients now had the choice as to which hospital they received their treatment should this be an area for internal audit to review. R Edwards enquired how the Trust validated waiting lists. The Chair concurred that as the Trust did run Waiting List Initiatives and the subsequent associated costs for staff payment this was an area that should be looked at. J Brown agreed to circulate to members the internal audit scope for this review once signed off by the Chief Operating Officer.</p> <p>J Brown drew members' attention to the detail in Appendix 1 relating to the work that had been undertaken since the 1 April 2017 to date, with regard to the Internal Audit planning process.</p> <p>RESOLVED: That the Progress Report from Grant Thornton be noted.</p> <p><u>Follow-up of Management Actions Arising from Internal Audit Reports</u></p> <p>A Rhodes presented a summary report on the progress made by management in implementing recommendations and agreed management actions arising from Internal Audit reports.</p> <p>A Rhodes advised that the six outstanding RSM audit reports as at the 1 April 2017 had now been finalised and issued. She also confirmed that the 'medium and high' recommendations pertaining to these reports had been added to the 4action tracker system, namely:-</p> <ul style="list-style-type: none"> ● Mortality Review ; ● Board Assurance Framework; ● Cost Improvement Programme; and 	<p>Grant Thornton</p> <p>Grant Thornton</p>
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	<p>RESOLVED: Members of the committee noted the detail and work being undertaken in the follow up work being carried out on follow up on management actions arising from internal audit reports.</p> <p><u>Audit Planning Briefs</u> A Rhodes presented the five Audit Planning Briefs in relation to the following planned audits:-</p> <ul style="list-style-type: none"> • <i>Risk Management</i> - approved • <i>Consultant Job Planning</i> – suggested by members of the committee to audit processes over the last two years, in order that independent assurance can be demonstrated • <i>Recruitment and Retention</i> – M Martin asked that current procedures are looked at to ensure that processes are running efficiently and to highlight any risks. The Chair advised that in view of the proposal to centralise recruitment it was essential that A Duffell, Director of Workforce was spoken to before the audit review commenced. • <i>Clinical Serious Incidents and Complaints (lessons learned)</i> – R Edwards acknowledged that the audit plan appeared to cover all the required fields, but it was important that any risk/evidence was shared • <i>Financial Planning and Budget Setting</i> – A Rhodes advised that the brief would be discussed with H Troalen (Deputy Chief Financial Officer) and agreed prior to sign off <p>RESOLVED: Members of the committee noted the detail presented in the five Audit Planning Briefs.</p>	
55/2017	<p><u>Grant Thornton – Counter Fraud</u> S Pooni presented the Counter Fraud Progress Report to members of the committee.</p> <p>S Pooni advised that the Counter Fraud Workplan for 2017/18 had been based upon information provided from meetings with both management and staff with final approval by the Chief Financial Officer – K Stringer.</p> <p>S Pooni reported that the NHS Protect Quality Inspection had taken place in July with the Trust being assessed for compliance with key areas of activity; Inform and Involve and Prevent and Deter - a total of 10 standards. A draft report was issued by NHS Protect on the 23 August 2017 – the findings were that the Trust was compliant in 5 standards; partially compliant in 4 standards and not compliant in one standard. The area found not to be compliant was Standard 3.1. , up to date policy procedure documents. S Pooni explained that this was a weighted standard and if an organisation is deemed found to be ‘red’ in this standard, the whole of the Prevent and Deter area of activity is also set as ‘red’. Members noted that this particular standard had been challenged and that the Trust was currently waiting for a response from NHS Protect in relation to the weightings associated to this standard.</p> <p>Members noted that the Trust had until the 22nd September 2017 to respond to the report and that action plans would be required for five standards identified in the report.</p>	

	<p>K Stringer advised that the Trust had not been through a Quality Inspection and record before, however, it was evident that it was imperative to have processes in place that measure and record the effectiveness of the Counter Fraud Service in place.</p> <p>Referring to page 11 of the report S Pooni advised that going forward the Counter Fraud inductions and training sessions would be conducted face to face rather than previously conducted by DVD. Sessions will also be delivered to the Finance and Procurement Departments on specific fraud and bribery risks and issues.</p> <p>S Pooni reported that going forward training will also be provided to GP Practices to ensure that they are aligned to the Trust's procedures in relation to accepting gifts and hospitality.</p> <p>Members noted that as part of the 'Inform and Involve' awareness - Counter Fraud linked with the Trust's Security team and Police to launch the Trust's partnership with Crime Stoppers in July. This was well supported by Trust staff with approximately 200 staff attending the Counter Fraud stand. S Pooni advised that this provided the opportunity for the Trust's stance on Counter Fraud to be promoted.</p> <p>M Kinsella advised members that going forward he was now a member of the Trust's Policy Committee, which facilitated Counter Fraud to have access to any new or revised policies going forward or existing ones that were being updated. This was one of the requirements of NHS Protect.</p> <p>Members were asked to note the detail in 'Appendix A – Confidential Summary of Investigations and Referrals'. S Pooni reported that the detail behind the two investigations and two referrals that were currently being reviewed were summarised from pages 19 – 22 of the report.</p> <p>RESOLVED: Members noted the detail of the Counter Fraud Progress Report.</p>	
56/2017	<p><u>External Audit – KPMG</u></p> <p><u>Progress Report</u></p> <p>D Shariff presented the Progress Report to members of the committee providing a summary of work undertaken since the last meeting in May together with planned work over the next quarter.</p> <p>D Shariff reported that a debrief meeting on the Annual Accounts 2016/17 had been held with the Finance team in July. He confirmed that discussion on how to improve and strengthen the positive audit review in 2016/17 had taken place together with what areas could be improved for the 2017/18 accounts production and audit.</p> <p>Members noted that 'Appendix A – Technical Update', provided a summary of the results of the 2016/17 audit cycle together with highlighted outputs over the last three years. D Shariff drew particular attention to the changes in the 2017/18 Single Oversight Framework and Use of Resources Assessment Framework.</p>	

	<p>RESOLVED: The committee noted the detail in the progress report.</p> <p><u>Annual Audit Letter</u> D Shariff presented the Annual Audit Letter to members of the committee, which summarises the results of the 2016/17 audit work as per the Audit Plan.</p> <p>Member’s attention was drawn to pages 7 and 8 which summarises the headlines from the work undertaken during the financial year. Members noted that there were no issues or concerns.</p> <p>RESOLVED: The committee concluded that the content of the letter was very positive with no issues raised.</p> <p><u>Charitable Funds ISA 260</u> D Shariff presented the Charitable Funds ISA 260 report to members of the committee. He advised that this had been presented and discussed at the Charities Committee meeting on the 21st August 2017. It was noted that it was anticipated that an unqualified audit opinion on the financial statements would be issued.</p> <p>He advised that the Management Representation Letter had not yet been received, but once received and signed off would facilitate the finalisation of the Audit Opinion. It was noted that there were no issues or concerns to bring to the committee’s attention.</p> <p>With regard to current systems and controls two medium priority recommendations had been made in relation to expenditure; one with regard to the Charity contribution to the Trust’s Capital Programme and secondly regarding the charitable expenditure on staff retirements – Appendix 2 pertains. The Chair concurred that the Charities Committee had looked at retirement payments and also the support to the Capital Programme, and it had been agreed the policy on retirements needed review and change. The charity committee also agreed the funds to purchase capital items should be specific and not apportioned across a range of purchases.</p> <p>RESOLVED: The committee approved the Charitable Funds ISA 260 report.</p> <p><u>Final ISA 260 Report 2016/17</u> D Shariff referred to the May meeting of the committee and the management responses received at that time in relation to the ISA 260. He advised that the final signed off ISA 260 presented to members today was for noting by members of the committee.</p> <p>RESOLVED: Members noted the final ISA 260 Report.</p>	
57/2017	<p><u>Charitable Funds Annual Report and Accounts 2016/17</u> Members of the Committee noted and approved the Annual Report and Annual Accounts - Charitable Funds 2016/17. It was acknowledged that they had been presented to the Charities Committee on the 21 August 2017.</p> <p>RESOLVED: The committee approved the Annual Report and Accounts.</p>	

58/2017	<p><u>MEA Alternative Site Valuation for Trust's Land and Buildings</u></p> <p>K Stringer asked members to note the further explanatory report presented on the impact and future risks of adopting the Alternative Site Valuation Methodology, previously approved by the committee at the February meeting.</p> <p>RESOLVED: Members acknowledged the additional detailed report and confirmed they were happy with the content as presented.</p>	
59/2017	<p><u>Losses and Compensation Payments</u></p> <p>K Stringer presented the report on Losses and Special Payments for the period 1 April 2017 to 31 July 2017.</p> <p>Members of the committee noted and approved the following:-</p> <ul style="list-style-type: none"> • the total losses and special payments in the period of £48,051.03 (27 new cases plus 2 existing cases); • the losses and special payments authorised within Officers' delegated limits in the period, the Chief/Deputy Financial Officer authorised £21,204.03 (22 cases) of losses and special payments under delegated powers; • note the personal injury claims of £26,847.00 (5 new cases and 2 existing cases); and • note the total for the 2017/18 year to date of £48,051.03 (27 new cases plus 2 existing cases) <p>M Martin enquired as to what progress had been made in regard to payment being made by overseas visitors receiving treatment at the Trust. K Stringer confirmed that a dedicated team (Division 1) were implementing a new charging arrangement from October 2017, which would be more robust. M Kinsella advised that there had been a marked growth of fraud taking place whereby people were using false ID, in order to get treatment.</p> <p>The Chair enquired if the personal injury claims reported did or did not include defence costs. K Stringer undertook to ascertain the detail and report back to members.</p> <p>RESOLVED: The committee approved the detail in the Losses and Special Payments report and recommended the report be presented to the September meeting of the Trust Board for final sign off.</p>	K Stringer
60/2017	<p><u>Security</u></p> <p><u>Progress Report</u></p> <p>R Jones presented the Security Report to members of the committee.</p> <p>R Jones advised that with regard to 'community premises' he was pleased to report that the Bentley Bridge warehouse had been refurbished with a new alarm system.</p>	

	<p>Members noted that Cannock Chase Hospital security arrangements had now been aligned with that of the New Cross Hospital security team. R Jones advised that one of the new arrangements put in place included certain parts of the hospital being locked down at 10 pm to increase security.</p> <p>Referring to page 8 of the report R Jones reiterated that the performance of Carlisle Security Services on site continued to be both robust and effective. It was also noted that the 'Crime Stoppers' launch in July in partnership with the Counter Fraud Service and the Police had been well received.</p> <p>M Martin enquired as to why the Maternity Security upgrade had been deferred until the new financial year. R Jones advised that whilst the baby tagging system had been introduced it was not effective in all areas and that the Business Case for the second phase had been deferred. Members agreed that this was exposing the Trust to risk and asked that P Smith the Security Manager provide a statement on how the risk would be managed due to the second roll out of the upgrade programme being deferred. The Chair asked that this position statement be emailed to members as soon as possible.</p> <p>R Jones agreed that he would liaise with P Smith to ensure this was undertaken.</p> <p>RESOLVED: The committee noted the detail in the quarterly progress report on security issues within the Trust.</p> <p><u>Annual Security Report</u> R Jones presented the Annual Security Report for information to members of the committee.</p> <p>He advised that the detail of the report provided assurance on the security work that had been undertaken during the period 1 April 2016 – 31 March 2017.</p> <p>RESOLVED: The committee noted the detail in the Annual Security Report and thanked R Jones and the security team for all their hard work over the last year.</p>	<p>R Jones/ P Smith</p>
61/2017	<p><u>Audit Committee Workplan 2017</u> Members of the committee reviewed and noted the workplan for 2017.</p>	
62/2017	<p><u>Audit Committee Dates for 2018</u> The proposed full set of dates for 2018 were noted and approved.</p>	
63/2017	<p><u>Any Other Business</u></p>	
64/2017	<p><u>Date and Time of Next Meeting</u> Thursday, 7 December 2017 at 9.30 am in the Conference Room, Hollybush House.</p>	