


University Hospitals of Leicester 
NHS Trust

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 28 February 2013

COMMITTEE: Audit Committee

CHAIRMAN: Ms K Jenkins, Non-Executive Director

DATE OF COMMITTEE MEETING: 12 February 2013

RECOMMENDATIONS MADE BY THE COMMITTEE FOR CONSIDERATION BY THE TRUST BOARD:

None

OTHER KEY ISSUES IDENTIFIED BY THE COMMITTEE FOR CONSIDERATION/ RESOLUTION BY THE TRUST BOARD:

None

DATE OF NEXT COMMITTEE MEETING: 3 April 2013

**Ms K Jenkins
14 February 2013**

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY 12 FEBRUARY 2013 AT 10:30AM IN THE LARGE COMMITTEE ROOM,
MAIN BUILDING, LEICESTER GENERAL HOSPITAL SITE**

Present:

Ms K Jenkins – Non-Executive Director (Chairman)
Mr R Kilner – Non-Executive Director
Mr I Reid – Non-Executive Director

In Attendance:

Mrs S Hinchliffe – Chief Nurse/Deputy Chief Executive (for Minutes 07/13/1, 10/13 and 11/13)
Mrs H Majeed – Trust Administrator
Mr A Seddon – Director of Finance and Business Services
Mr N Sone – Acting Head of Financial Services

Mr D Sharif – KPMG (the Trust's External Auditor)
Ms J Clarke – Local Counter Fraud Specialist (East Midlands Internal Audit Services) (until and including Minute 05/13/2)
Mr I Morris – Local Counter Fraud Specialist (East Midlands Internal Audit Services) (until and including Minute 05/13/2)
Ms A Breadon – Head of Internal Audit, PWC (the Trust's Internal Auditor)
Ms C Wood – Internal Audit Manager, PWC (the Trust's Internal Auditor)

RESOLVED ITEMS

ACTION

1/13 PRIVATE DISCUSSIONS WITH BOTH SETS OF AUDITORS

As at previous meetings, and in line with the guidance detailed within paper A, private discussions took place between the Chairman and members of the Audit Committee and External and Internal Audit ahead of the start of the formal meeting.

Resolved – that the position be noted.

2/13 APOLOGIES

Apologies for absence were received from Mr J Adler, Chief Executive, Mr D Tracy, Non-Executive Director and Mr S Ward, Director of Corporate and Legal Affairs.

3/13 MINUTES

Resolved – that the Minutes of the meeting held on 13 November 2012 (papers B and B1 refer) be confirmed as a correct record.

4/13 MATTERS ARISING REPORT

The Chairman confirmed that the Matters Arising report (paper C) highlighted the matters arising from the meeting held on 13 November 2012. The following matters were raised:-

- (a) Minute 64/12 - the Committee Chair requested a report on assurance re. development of the 2013/14 clinical audit plan process be presented to the Audit Committee in April 2013, and **DCQ**
- (b) Minute 65/12/2 – the Director of Finance and Services to raise with Mr A Chatten, Acting Director of Facilities via the FMC Board re. assurance that an appropriate process for training for fraud awareness existed in relation to the contract with Interserve. **DFBS**

Resolved – that the matters arising report (paper C) and the actions above be noted.

DCQ/
DFBS

5/13 ITEMS FROM THE LOCAL COUNTER FRAUD SPECIALIST

5/13/1 Local Counter Fraud Specialist (LCFS) Progress Report

Paper D summarised progress made towards completion of the Trust's 2012-13 counter fraud work plan. The 2012-13 survey had been issued to 477 budget holders across the Trust. The LCFS particularly highlighted that a fraud warning had been issued with regard to invoice fraud. Recommended practice had been issued to the Trust by the LCFS, in order to ensure controls were in place to counter this. Responding to a query, the LCFS advised that though there might be a change in the number of days spent on reactive work against the number of days allocated for proactive work, the team would still be using the planned days agreed in the 2012-13 work plan.

Resolved – that the contents of paper D be received and noted.

5/13/2 Report from the Local Counter Fraud Specialist

Resolved – that this Minute be classed as confidential and taken in private accordingly.

6/13 FINANCE – STRATEGIC AND OPERATIONAL ISSUES

6/13/1 Discretionary Procurement Actions

Paper E provided a summary of five requests for single tender action between November 2012 and January 2013, in accordance with paragraph 9.8.4 of the Trust's Standing Orders. Responding to a query in relation to 'Interim Contracts for Medical Locums', it was noted that a single tender action had been issued as a national framework was not yet in place.

Resolved – that the discretionary procurement actions detailed in paper E be noted.

6/13/2 Report from the Acting Head of Financial Services

Resolved – that this Minute be classed as confidential and taken in private accordingly.

6/13/3 Financial Position

The Director of Finance and Business Services advised that a letter had been sent to Commissioners in respect of UHL's financial outturn and a response was expected in time for the February 2013 Trust Board meeting.

Resolved – that the position be noted.

6/13/4 Update on UHL's Progress Against EA ISA 260 Recommendations

The Acting Head of Financial Services advised that External Audit were making progress to put actions in place by 2012-13 year-end and a review of this was imminent.

Resolved – that the position be noted.

7/13 ITEMS FROM INTERNAL AUDIT

7/13/1 Internal Audit Progress Report

Ms A Breadon, Chief Internal Auditor presented paper G, an update on progress with the 2012-13 internal Audit plan and implementation of audit recommendations. A brief update on the reviews that were in progress was provided: - business continuity planning, finance - data analysis work, IT general controls and finance function effectiveness. Responding to a query, members were advised that succession planning had not been included in the terms of reference for the business continuity review. Appendix 1 outlined the changes to the audit plan including the forecast number of days against planned days for each review.

Internal Audit's action tracking tool 'TrAction' was now in place and all outstanding audit actions had been uploaded and access to relevant individuals was currently being rolled out.

Responding to queries from the Committee Chair, the Director of Finance and Business Services agreed to ensure that:-

DFBS

- (a) Executive Directors provided an update to an Executive Team meeting prior to each Audit Committee meeting where there was any change in date for implementing an agreed Internal Audit action, and
- (b) an interim solution (prior to the upgrade of the Cedar System which was due in May 2013) was put in place to implement a risk based approach for authorisation of invoice requests and journals. Members expressed concern that a number of recommendations following the 'financial systems' review had revised implementation dates.

The Chief Internal Auditor briefed members on the scope of the reviews (risk management, data security and CIPs) that were due to commence. A high level review of the Trust's Long Term Financial Model had been undertaken and it had not been risk rated (as this was not a controls based review).

Responding to queries in respect of the key risks not covered by the Internal Audit plan, particularly in relation to Emergency Department and the usage of bank and agency staff, the Chief Nurse/Deputy Chief Executive provided assurance to the Audit Committee that the Executive Team had regular discussion on managing CIPs and the Board Assurance Framework. Members were also advised about the work being undertaken by Right Place Consulting (RPC) in respect of the implementation of the emergency care pathway which would go live on 18 February 2013. In response to a query, it was noted that a review of RPC's work would be undertaken in mid-March 2012 by Internal Audit. The publication of the Francis report would have further implications noting that a Board Development seminar to discuss this had been scheduled on 15 February 2013 and further discussions would take place at the Executive Team. Transformation/Reconfiguration was being taken forward through the Better Care Together Programme Board; however there had been a change in emphasis of this group due to changes in leadership.

Resolved – that (A) the contents of paper G be received and noted, and

(B) the Director of Finance and Business Services to ensure that points (a) and (b) above were undertaken, as appropriate.

DFBS

7/13/2 Internal Audit Review

Financial Systems Review (paper H refers):- Ms C Wood, Internal Audit Manager

advised that the scope of this review was to test the monitoring controls over the key financial systems, including budgetary control, debtors, creditors, payroll, fixed assets and capital planning and the financial ledger. This review would be relied upon by the Trust's external auditors in their appraisal of the controls operated by management over financial systems. Monitoring controls included controls such as exception reports, key reconciliation and performance information.

A lack of clarity around how the plan for 2013-14 would be produced and a risk around lack of sufficient scrutiny of the capital plan had been identified.

The main risk identified in respect of financial systems was in relation to liquidity and therefore Internal Audit's work would be focused around this risk.

Responding to a query from the Committee Chair, Internal Auditors advised that in respect of the non NHS debtor testing, data had not been extrapolated to indicate the cash value, however, the Finance team would be advised of any control weaknesses.

Resolved – that the contents of paper H be received and noted.

8/13 ITEMS FROM EXTERNAL AUDIT

8/13/1 External Audit Progress Report

External Audit presented paper I, which detailed progress made in terms of work undertaken since the November 2012 meeting of the Audit Committee and work planned for the next quarter. Mr D Sharif, External Auditor assured members that the external audit plan was on track and a number of actions had been completed.

The report also listed a number of articles that might be useful for the Trust to consider. As discussed as part of the Audit Committee self assessment, the Committee Chair agreed to liaise with the Director of Corporate and Legal Affairs in respect of the level of impact on the Trust in relation to the recommendations from the various publications.

Chair

Resolved – that (A) the contents of paper I be received and noted, and

(B) the Committee Chair to liaise with the Director of Corporate and Legal Affairs in respect of the level of impact on the Trust in relation to the recommendations from the various publications.

Chair

8/13/2 External Audit Plan 2012-13

Mr D Sharif, External Auditor introduced paper J which summarised the process and timetable for delivery of the financial statements (including the Annual Governance Statement), use of resources and mandated review of 2012-13 Quality Accounts.

For all leases identified, the Trust would need to consider the substance of the lease including whether the finance leases criteria were met. External Audit would review the Trust's treatment and disclosure of non-recurrent funding in the financial statements and consider its impact on the Trust's reported financial position for 2012-13.

Responding to a query from Mr R Kilner, Non-Executive Director, members were advised of an IFRS requirement that all contracts entered into were identified and reviewed to identify potential aspects that might require specific accounting treatment. The Trust would need to ensure that the financial reporting implications

of these contracts had been fully assessed and that they were correctly accounted for within the financial statements. The Director of Finance and Business Services suggested that the expertise of Ms H Grossman be sought in this respect.

Resolved – that the contents of paper J be received and noted.

9/13 ASSURANCE GAINED FROM THE FINANCE AND PERFORMANCE COMMITTEE AND THE QUALITY ASSURANCE COMMITTEE ON KEY RISKS/ISSUES OF THE TRUST

Mr I Reid, Non-Executive Director/Chairman of the Finance and Performance Committee that the current focus of the F&P Committee was financial robustness to deliver the 2012-13 year-end position.

Resolved – that the position be noted.

10/13 BOARD ASSURANCE FRAMEWORK

The Chief Nurse/Deputy Chief Executive presented paper K, a report on the description of the process used to provide a mid-year update of the Strategic Risk Register/Board Assurance Framework and the recent changes to the UHL risk reporting process endorsed by the Trust Board.

All operational risks were now linked to an Executive or Corporate Director in addition to the respective Clinical Director and escalation processes were in place as part of the governance arrangements.

Responding to a query, it was noted that the scores re. risk (*failure to achieve FT status*) had been changed and risk relating to (*loss of reputation*) had been merged under another risk title.

The Committee Chair suggested that consideration be given to tracking the trend for each risk month on month. In relation to the UHL risk flowchart, the Committee Chair requested that a report be presented to the April 2013 meeting on how the process worked with an end on end example of how risks are escalated from “ward to board” being provided. Consideration to using the ‘TrAction’ tool to monitor BAF actions (Minute 07/13/1 refers) was suggested. The Chief Nurse/Deputy Chief Executive was requested to link with Internal Audit to discuss Internal Audit’s work on the BAF.

CN/DCE

CN/DCE

Resolved – that (A) the contents of paper K be received and noted, and

(B) the Chief Nurse/Deputy Chief Executive to:-

**CN/DCE/
TA**

- give consideration to tracking the trend for each risk month on month;
- present a report to the Audit Committee in April 2013 on how the UHL risk flowchart process worked – ‘ward to board’, providing an end to end example;
- give consideration to using Internal Audit’s ‘TrAction’ tool to monitor BAF actions, and
- link with Internal Audit to discuss Internal Audit’s work on the BAF.

11/13 TRUST’S APPROACH TO ASSESSING THE POTENTIAL IMPACT ON QUALITY AND SAFETY OF CIPS

The Chief Nurse/Deputy Chief Executive advised that paper L (proposal for the management of clinical risk within CIPs and the terms of reference of the CIP Programme and CIP Delivery Boards) had been updated following discussion at the

Quality Assurance Committee meeting on 22 January 2013. The paperwork for risk assessments and quality impact assessments had also been refreshed.

Mr I Reid, Non-Executive Director, commented that criterion 6 on page 7 of the report could be assessed only after the CIP plans were presented to the Trust Board. Audit Committee members suggested that a reference be made in the report to the fact that the update risk assessment and quality impact assessment templates would need to apply not only to CIPs but also to other service changes where there might be an impact on quality.

CN/DCE

Members noted that the report provided guidance on RAG rating of CIP schemes in financial terms but queried whether guidance was available in terms of the quality aspects of the scheme – it was noted that a trajectory had been set and this would be linked in with the process.

Responding to a query on how the cycle of clinical audits was set, the Chief Nurse/Deputy Chief Executive provided a brief update on the process noting that this was based on the quality schedule, CQUIN, PROMs and CROMs requirements.

Resolved – that (A) the contents of paper L be received and noted, and

(B) the Chief Nurse/Deputy Chief Executive to ensure that paper L was updated to make reference to the fact that the updated risk assessments and quality impact assessments would apply not only to CIPs but also to other service changes where there might be an impact on quality.

CN/DCE

12/13 MINUTES FOR INFORMATION AND DISCUSSION

12/13/1 Governance and Risk Management Committee (now re-titled Quality Assurance Committee)

Resolved – that the Minutes of the Governance and Risk Management Committee meetings held on 22 October and 26 November 2012 (papers M-M1 refer) be received and noted.

12/13/2 Finance and Performance Committee

Resolved – that the Minutes of the Finance and Performance Committee meeting held on 24 October and 28 November 2012 (papers N-N1 refers) be received and noted.

13/13 ITEMS FOR INFORMATION

13/13/1 Audit Committee Self Assessment/Review of Effectiveness Actions

Resolved – that the contents of paper O be received and noted.

13/13/2 Role of the Audit Committee

It was noted that the role of the Audit Committee would now also include the review of risk management.

Resolved – that the contents of paper P be received and noted.

13/13/3 DoH Guidance on Annual Governance Statements 2012-13

Resolved – that the contents of paper Q be received and noted.

14/13 **ANY OTHER BUSINESS**

Resolved – that there were no items of any other business.

15/13 **IDENTIFICATION OF KEY ISSUES THAT THE COMMITTEE WISHES TO DRAW TO THE ATTENTION OF THE TRUST BOARD**

Resolved – that the issue discussed under private Minute 05/13/2 be brought to the attention of the Trust Board, as appropriate.

16/13 **DATE OF NEXT MEETING**

Resolved – that (A) the next meeting of the Audit Committee be held on Wednesday, 3 April 2013 from 10:30am in the Large Committee Room, Main Building, Leicester General Hospital, and

(B) it be noted that this meeting would be preceded by a private meeting between the Audit Committee Chairman and the Non-Executive Director members at 10:00am, with representatives from Internal and External Audit to attend from 10:15am in the Small Committee Room, Main Building, Leicester General Hospital.

The meeting closed at 12.48pm

Hina Majeed,
Trust Administrator