

Trust Board paper Z

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST
REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 26 June 2014

COMMITTEE: Audit Committee

CHAIRMAN: Ms K Jenkins, Non-Executive Director

DATE OF COMMITTEE MEETING: 27 May 2014

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

- draft statutory exchequer accounts 2013-14 (Minute 38/14/1 refers), and
- draft annual governance statement 2013-14 (Minute 38/14/3 refers).

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

- None

DATE OF NEXT COMMITTEE MEETING: 9 September 2014.

Meeting scheduled to be held on 3 July 2014 has been cancelled.

Ms K Jenkins
19 June 2014

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST
MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY 27 MAY 2014 AT 10:30AM IN THE TEACHING ROOM 2, CLINICAL EDUCATION
CENTRE, LEICESTER ROYAL INFIRMARY

Present:

Ms K Jenkins – Non-Executive Director (Chair)
Mr P Panchal – Non-Executive Director

In Attendance:

Mr J Adler – Chief Executive
Mr P Cleaver – Risk and Assurance Manager (for Minute 43/14)
Miss M Durbridge – Director of Safety and Risk (for Minute 43/14)
Mr P Hollinshead – Interim Director of Financial Strategy
Mrs H Majeed – Trust Administrator
Ms R Overfield – Chief Nurse
Mr N Sone – Financial Accountant
Mr S Ward – Director of Corporate and Legal Affairs

Mr A Bostock – KPMG (the Trust's External Auditor)
Mr D Hayward – KPMG (the Trust's External Auditor)

Ms C Wood – Internal Audit Manager, PwC (the Trust's Internal Auditor)

RECOMMENDED ITEMS

ACTION

38/14 DRAFT STATUTORY ACCOUNTS 2013-14

38/14/1 Draft Statutory Exchequer Accounts 2013-14

The Interim Director of Financial Strategy presented paper A, the annual accounts for the year ended 31 March 2014 (appendix 1 to the report refers). The following key points in respect of the Trust's performance against its statutory and administrative targets were highlighted:-

- Break even - £39.7m deficit;
- External Financing Limit - a permissible undershoot of £1,265k;
- Capital Resource Limit - a permissible undershoot of £52k;
- Better Payments Practice Code – Under the Better Payments Practice Code, the Trust was required to pay 95% of NHS and non-NHS invoices within 30 days of receipt. The target had not been met, due to actions agreed within the Trust's liquidity plan. However, supplier payment terms had been reviewed.

The material changes to the current assets and liabilities were detailed in section 3.4 of paper A.

Responding to a query from the Committee Chair in respect of the Trust not meeting the administrative target relating to the Better Payment Practice Code, the Interim Director of Financial Strategy confirmed that payments were appropriately prioritised and no suppliers were at risk for not receiving the payment within 30 days of receipt of the invoice.

In response to a further query on the increase in costs and whether any measures could have been put in place to forecast it, it was noted that a majority of the increase was in relation to drugs reflecting activity increases particularly around NICE and High Cost Therapies.

In discussion on the increase in costs due to the Interserve contract and managed business partnership with IBM, it was noted that appropriate contract management was in place and there had been a significant improvement in the performance of the contracts. However, it might be that a more commercial procurement management approach could be put in place. In response to a comment, the Chief Executive advised that the model for the interface between the Trust and Interserve would be reviewed.

Members noted the additional report on the Letter of Representation – this comprised a letter from External Audit to the Trust and a draft letter for UHL to consider and sign.

Recommended – that (A) the draft statutory annual accounts 2013-14 be endorsed and recommended onto the Trust Board for formal approval, and

**IDFS/
TA**

(B) the Interim Director of Financial Strategy be requested to include information in the letter of representation as detailed below (Minute 38/14/2 refers) prior to submitting it to the Trust Board for formal approval.

IDFS

38/14/2 External Audit Draft Audit Memorandum and Verbal Opinion on the 2013-14 Statutory Accounts

Mr A Bostock, KPMG (the Trust's External Auditor) presented paper B, which detailed the draft Audit Memorandum and provided a verbal opinion on the 2013-14 statutory accounts, including the Trust's management response to the Audit Memorandum. As a result of KPMG's 2013-14 audit work, the following key recommendations were made. The Trust should:-

- strengthen the quality assurance procedures in relation to valuation of its land and buildings on an annual basis, especially in years when no formal external valuation was received – responding to a query from the Committee Chair in respect of this recommendation, it was noted that the Trust's current policy for valuation of its land and buildings was every three years. The Interim Director of Financial Strategy undertook to ensure that valuation was undertaken mid-year and that the results of the assessment were submitted to the Audit Committee in order that it could be used as evidence for the External Auditors;
- ensure that all relevant information pertaining to outsourcing contracts was obtained and reviewed on a timely basis to ensure that the accounting treatment and disclosures remained appropriate – the Financial Controller confirmed that the Finance team would remain engaged with the Trust's major contracts including IBM and Interserve and review any developments against appropriate accounting standards;
- review its policies and procedures with regards to ensuring that signed copies of contracts for all members of staff were received prior to the commencement of employment – it was noted that the Director of Human Resources had confirmed that in relation to a particular case, it was a one-off issue and HR would review policies and procedures relating to staff contracts of employment, and
- ensure that all working papers were made available to a high standard and quality by the start of the onsite audit.

IDFS

The Committee Chair noted that the Trust's plan also required a significant injection of Public Dividend Capital (PDC) in 2014-15, and a CIP plan of £45m. The Trust's plan had also assumed a requirement for temporary borrowing of £28m in the first half of the year until permanent PDC funding of £78m was

agreed. The Interim Director of Financial Strategy advised that the NHS Trust Development Authority had acknowledged this requirement but had not yet agreed to it and highlighted that the cash arrangements would not be resolved by the UHL 5-Year Plan submission deadline of 20 June 2014. The External Auditors requested that appropriate details were included as appendices to support the letter of representation prior to its submission to the Trust Board on 29 May 2014.

IDFS

External Audit intended to issue an unqualified confirmation to the National Audit Office regarding the Whole of Government accounts submission, made through the Trust's submission of the summarisation schedules to the DoH. They were required to report any inconsistencies greater than £250k between the signed audited accounts and the consolidation data and details of any unadjusted errors or uncertainties in the data provided for intra-group and intra-government balances and transactions. It was noted that 13 variances had been identified, however the Trust considered the counterparties to be in error in relating to all these identified differences.

Recommended – that the contents of this report, and additional verbal information provided, be received and noted, and the draft Audit Memorandum, and Management's response thereto, be accepted and endorsed.

38/14/3 Draft Annual Governance Statement 2013-14

The Director of Corporate and Legal Affairs presented paper C, the Trust's draft annual governance statement for 2013-14.

Responding to a query from Mr P Panchal, Non-Executive Director, the Director of Corporate and Legal Affairs undertook to consider the suggestion that the Trust's commitment towards equality be incorporated within the Statement noting, however, that the Trust's annual report 2013-14 would include a section on equality and diversity.

DCLA

The Committee Chair suggested that consideration be given to inclusion of appropriate additional wording in the draft Statement in respect of the internal audit recommendations that had been completed. The Director of Corporate and Legal Affairs undertook to liaise with the Internal Audit Manager outside the meeting in respect of this and update the Trust Board accordingly on 29 May 2014 when presenting the final version of the Statement for approval.

DCLA

The Director of Corporate and Legal Affairs reported that a footnote in respect of the Committee Chair's attendance to the Quality Assurance Committee had inadvertently been missed from the appendix to the Statement and undertook to include this prior to submission to the Trust Board.

DCLA

Recommended – that subject to the suggestions and amendments made (as described above), the draft Annual Governance Statement 2013-14 be endorsed and recommended onto the Trust Board for formal approval.

**DCLA/
TA**

RESOLVED ITEMS

ACTION

39/14 **PRIVATE DISCUSSIONS WITH BOTH SETS OF AUDITORS**

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.

40/14 APOLOGIES

Apologies for absence were received from Ms A Breadon, Trust's Internal Auditor; Mr I Crowe, Non-Executive Director; Ms J Clarke, Local Counter Fraud Specialist and Ms J Watson, Trust's Internal Auditor.

41/14 MINUTES

Resolved – that the Minutes of the meeting held on 15 April 2014 (papers D and E refer) be confirmed as a correct record.

42/14 MATTERS ARISING FROM THE MINUTES

The Committee Chair selected the following key actions from paper F and members reported on progress:-

Minute 22/14/5 of 15 April 2014 – it was noted that relevant elements of the private patient and overseas visitors report would be considered by the Finance & Performance Committee in June 2014. Therefore, this action could be removed from the log.

TA

Minute 23/14/1a of 15 April 2014 – in discussion re. whether national guidance existed in respect of dealing with outbreaks of disease in the local population/overseas visitors, the Chief Nurse undertook to provide confirmation to the Audit Committee whether this would be discussed via the LiA workstream for private patients and overseas visitors.

CN

Minute 23/14/4 of 15 April 2014 – the Committee Chair advised that she had raised with the Director of Marketing and Communications re. processes for checking the content being posted on Insite and an update would be provided by the Director of Marketing and Communications to the Audit Committee in July 2014.

DMC

Minute 24/14a of 15 April 2014 – the Committee Chair confirmed that job planning discussion would be considered by the Finance and Performance Committee. Therefore, this action could be removed from the log.

TA

Minute 25/14 of 15 April 2014 – the Chief Nurse confirmed that a discussion on the indicators that NHS Trusts and non-NHS bodies were required to report in their Quality Accounts would take place at the Quality Assurance Committee in June 2014. Therefore, this action could be removed from the log.

CN

Minute 26/14a of 15 April 2014 – an update on the Renal Transplant service would be presented to Quality Assurance Committee in June 2014. Therefore, this action could be removed from the log.

TA

Minute 26/14/2 and 30/14/2 of 15 April 2014 and Minute 70/13/52 (i) of 12 November 2013 had now been closed and could be removed from the log.

TA

Minute 09/14 of 7 March 2014 – in response to a comment from Mr P Panchal, Non-Executive Director, the Director of Corporate and Legal Affairs undertook to liaise with the Head of Operations in respect of the structure by which NEDs would be alerted to relevant incidents.

DCLA

Minute 52/13/1 of 10 September 2013 – the Committee Chair to give consideration to whether a discussion on clinical audit should feature on the

agenda for Audit Committee or whether this matter should be referred to another Committee.

Chair

Resolved – that the matters arising report (paper F) be received and noted and the action log updated accordingly.

TA

43/14 UHL RISK REPORT INCORPORATING THE BOARD ASSURANCE FRAMEWORK (BAF) FOR THE PERIOD 1 APRIL – 30 APRIL 2014

The Director of Safety and Risk and the Risk Assurance Manager attended to present paper G, which provided an overview of significant risks impacting upon the Trust and also detailed information in relation to the effectiveness of risk management processes within the Trust.

Responding to a query from the Committee Chair, the Director of Corporate and Legal Affairs confirmed that the updated version of the BAF was scheduled to be presented to the Trust Board at the end of June 2014 and a discussion on this had also been provisionally scheduled for the Trust Board Development session in June 2014, however this would be confirmed further to recommendations from Foresight Partnership following the review of the Trust's governance framework.

Responding to a further query, the Risk and Assurance Manager confirmed that engagement with CMGs in respect of reviewing the risk register had significantly improved.

In response to a query from Mr P Panchal, Non-Executive Director whether a risk would be included in the BAF in respect of the forthcoming changes to the Trust Board membership, the Director of Safety and Risk advised that this would potentially be encompassed with the 'Recruitment and Retention' risk which already featured on the BAF. The Chief Executive confirmed that consideration to this matter would also be given as part of the refresh of the BAF.

The Risk and Assurance Manager advised that he would develop a programme of CMG attendance to Audit Committees to provide an update on their risk management processes.

RAM

Resolved – (A) the contents of this report be received and noted, and

(B) the Risk and Assurance Manager to develop a programme of CMG attendance to Audit Committees to provide an update on risk management processes.

RAM

44/14 FINANCE – STRATEGIC AND OPERATIONAL ISSUES

44/14/1 Discretionary Procurement Actions

Paper H provided the discretionary procurement actions for the period April-May 2014 in line with the Trust's Standing Orders.

In response to whether any administration charges/currency conversion on the pass through payment in respect of the British Thoracic Oncology Group Annual Conference was in place, the Interim Director of Financial Strategy undertook to check this.

IDFS

In respect of the Knighton Street Outpatient Building Refurbishment, assurance was sought in respect of whether a competitive process had been followed. The Interim Director of Financial Strategy undertook to check this.

IDFS

Resolved – that (A) the contents of paper H be received and noted, and (B) the Interim Director of Financial Strategy be requested to undertake the actions outlined above.

IDFS

44/14/2 2014-15 External Audit Fee

Paper I detailed the proposed external audit fee for 2014-15. It was noted that the scale fee had been reduced by £10,000 in relation to work on quality accounts assurance. The scope of this work was due to change and the Audit Commission had indicated that new assurance arrangements would be established.

Resolved – the contents of paper I be received and noted.

44/14/3 Letter from NHS TDA re. Effective Management and delivery of referral to treatment pathways

The Interim Director of Financial Strategy drew members' attention to the letter dated 25 March 2014 from the Chief Executive of the NHS TDA addressed to NHS Trust Chief Executives (paper J). All NHS Trusts were expected to:-

- (a) review data quality annually through their internal audit programme – it was noted that this was in-train;
- (b) ensure checks of waiting list management were undertaken through the external audit programme at least every 3 years – it was suggested that this needed to be taken forward through Internal Audit rather than External Audit.

IA

Resolved – that (A) the contents of paper J be received and noted, and (B) Internal Auditors be requested to ensure that checks of waiting list management were undertaken through the internal audit programme at least every 3 years.

IA/TA

44/14/4 Report from the Interim Director of Financial Strategy

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

44/14/5 Overseas Visitors and Private Patient Debts – root cause analysis, lessons learned and action plan

Paper L detailed the underlying issues surrounding Overseas Visitors (OSV) and Private Patients (PP) debt and explored the causes of the write off of this debt. A LiA pioneering scheme had been put in place to ensure that the Trust received income for every patient treated and that free at the point of care NHS treatment was only provided to patients who were entitled to receive it. The scheme would be led by the Financial Controller and the Income, Private Patient and Overseas Visitor Manager. The Interim Director of Financial Strategy was the LiA sponsor for this scheme.

Mr P Panchal, Non-Executive Director made the following observations:-

- (a) the need for clear distinction between private patients and overseas visitors;
- (b) the need for inclusion of public and patient implications in the cover

- sheet of this report;
- (c) different ways be put in place to secure the debt rather than writing it off;
- (d) a policy be formulated indicating the stage at which the Trust Board needed to be informed of any cases, and
- (e) consideration be given to any administration charges that needed to be put in place.

The Financial Controller advised that the above would be taken forward through the LiA workstream.

The Chief Executive requested the Financial Controller to inform him outside the meeting regarding the current national guidance for proactive entitlement checks.

FC

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

(B) the Financial Controller be requested to inform the Chief Executive of the current national guidance regarding proactive entitlement checks.

FC

45/14 ITEMS FROM INTERNAL AUDIT

45/14/1 Internal Audit Year-End report and Head of Internal Audit Opinion 2013-14

Further to Minute 28/14/2 of 15 April 2014, the Internal Audit Manager, PwC presented paper M, the Internal Audit Annual report for 2013-14 and the proposed Head of Internal Audit opinion. The IBM contract and data security review reports had been issued. The quality assurance framework review had been issued in draft. The Delayed Transfer of Care (DTCO) review had been deferred due to further work currently being undertaken by the Chief Operating Officer in respect of DTCOs.

The Chief Executive noted that a discussion was scheduled at the Executive Performance Board on the afternoon of 27 May 2014 in respect of any outstanding internal audit actions which had passed the deadline dates.

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

45/14/2 Internal Audit Progress Report

Paper N provided the Committee with an update on progress since the last meeting on 15 April 2014. The Internal Audit Manager provided an update on how agreed actions were being tracked using the tracking tool 'TrAction' highlighting that appropriate reminders were sent to Lead Officers requesting them to provide an update on the actions.

The Chief Executive requested that Executive Director Leads be copied into the chasing emails sent to the actions' operational leads, and that the report be amended to list the Executive Directors. He also requested Internal Audit to prioritise the actions within the report to enable an appropriate focus.

IA

In respect of the Leicester City CCG audit, the Interim Director of Financial Strategy noted the need for confirmation from the CCG that the audit would be funded by them and that the data would be provided by the Trust.

IA

Resolved – that (A) the contents of paper N be received and noted;

(B) Internal Audit be requested to prioritise the actions within the outstanding actions report in order to enable an appropriate focus, and

IA

(C) Internal Audit be requested to seek confirmation from the Leicester City CCG that the audit commissioned by them (review of the funding arrangements around overseas patients) would be funded by the CCG.

45/14/3 Internal Audit Reviews

The IBM Contract Review (paper O) and the Data Security Review (paper O1) were noted.

The Internal Audit Manager provided a verbal update on the Quality Assurance Framework review. The scope of the review was to ascertain how quality and safety issues were escalated within the Trust. Internal Auditors had observed a number of Quality and Safety committees within the Trust noting that some Committees were still in the early stages of their formal establishment. She advised that some good examples of escalation and cascading had been noticed. However, in some instances there was a need for further clarity around roles and responsibilities, and the link between Committees needed to be formalised.

Resolved – that the contents of papers O&O1 and the verbal update be noted.

45/14/4 Internal Audit Plan 2014-15

The Internal Audit Manager presented paper Q which outlined the internal audit risk assessment and the proposed areas of internal audit focus for 2014-15. The Committee Chair queried whether succession planning and talent management reviews had been included – in response, the Interim Director of Financial Strategy advised that the Director of Human Resources has indicated that these were picked up on a rolling basis.

In response to a query from the Director of Corporate and Legal Affairs whether the issue of follow-up appointments had been covered by any of the reviews as this was a matter raised by the Quality Assurance Committee in April 2014 – it was noted that this had been discussed by the Interim Director of Financial Strategy and the Internal Audit Manager and would be taken forward through the RTT review.

Resolved – that the internal audit plan 2014-15 (paper Q) be approved.

46/14 ASSURANCE GAINED FROM THE FINANCE AND PERFORMANCE (F&P) COMMITTEE AND THE QUALITY ASSURANCE COMMITTEE (GRMC)

Resolved – that there were no specific issues raised.

47/14 MINUTES FOR INFORMATION AND DISCUSSION

47/14/1 Quality Assurance Committee

Resolved – that the Minutes of the Quality Assurance Committee meeting held on 23 April 2014 (paper Q refers) be received and noted.

47/14/2 Finance and Performance Committee

Resolved – that the Minutes of the Finance and Performance Committee meetings held on 26 March 2014 (paper R refers) and 23 April 2014 (paper R1 refers) be received and noted.

48/14 ANY OTHER BUSINESS

48/14/1 Safeguarding Children Policies and Procedures

Responding to a query from Mr P Panchal, Non-Executive Director, the Director of Corporate and Legal Affairs confirmed that following a recent investigation, the Trust's policies and procedures for safeguarding children had been independently audited and had been deemed fit for purpose.

Resolved – that the position be noted.

48/14/2 Ms K Jenkins, Non-Executive Director/ Audit Committee Chair

The Committee Chair advised that this would be her last meeting of the Audit Committee as her term as a NED would come to an end in June 2014. She thanked members for their support.

Resolved – that the update be noted.

49/14 IDENTIFICATION OF KEY ISSUES THAT THE COMMITTEE WISHES TO DRAW TO THE ATTENTION OF THE TRUST BOARD

- draft statutory exchequer accounts 2013-14 (Minute 38/14/1 refers), and
- draft annual governance statement 2013-14 (Minute 38/14/3 refers).

Resolved – that the recommended items listed above be brought to the attention of the Trust Board.

50/14 DATE OF NEXT MEETING

Resolved – that (A) the next meeting of the Audit Committee be held on Thursday, 3 July 2014 from 2:45pm in the Board Room, Victoria Building, Leicester Royal Infirmary, 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 2:15pm, with representatives from Internal and External Audit to attend from 2.30pm in the Board Room, Victoria Building, Leicester Royal Infirmary.

The meeting closed at 12:45pm.

Hina Majeed, **Trust Administrator**

Cumulative Record of Members' Attendance (2013-14 to date):

Name	Possible	Actual	% attendance
K Jenkins (Chair)	2	2	100%
I Crowe	2	1	50%
P Panchal	2	2	100%

Attendees

Name	Possible	Actual	% attendance
P Hollinshead	2	2	100%
S Ward	2	1	50%

R Overfield	2	1	50%
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