


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: 2 April 2015

COMMITTEE: Audit Committee

CHAIRMAN: Richard Moore, Non-Executive Director

DATE OF COMMITTEE MEETING: 5 March 2015

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:

- **MSS CMG's update on their risk management processes and in particular the issues in populating the risk register (Minute 21/15 refers);**
- **review of Off Payroll Engagements (Minute 23/15/1a refers), and**
- **the preparation of the draft Annual Governance Statement 2014-15 (Minute 26/15 refers).**

DATE OF NEXT COMMITTEE MEETING: 27 May 2015

**Mike Williams
25 March 2015**

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
THURSDAY 5 MARCH 2015 AT 2:00PM IN THE CJ BOND ROOM, CLINICAL EDUCATION
CENTRE, LEICESTER ROYAL INFIRMARY**

Present:

Mr M Williams – Non-Executive Director (Interim Chair)
Col (Ret'd) I Crowe – Non-Executive Director
Dr S Dauncey – Non-Executive Director
Mr P Panchal – Non-Executive Director

In Attendance:

Mr P Cleaver – Risk and Assurance Manager (for Minutes 20/15-21/15 inclusive)
Miss M Durbridge – Director of Safety and Risk (for Minutes 20/15-21/15 inclusive)
Ms N Junkin – Women's and Children's CMG HR Lead (for Minute 23/15/1a)
Mrs H Majeed – Trust Administrator
Mr R Moore – Non-Executive Director Designate
Mr R Power – Clinical Director, Musculo-Skeletal and Specialist Surgery CMG (for Minute 21/15)
Professor D Rowbotham – Clinical Director, NIHR Clinical Research Network: East Midlands (for Minute 23/15/1b)
Mr N Sone – Financial Controller
Ms E Stevens – Acting Director of Human Resources (for Minute 23/15/1a)
Ms S Taylor – Head of Operations, Musculo-Skeletal and Specialist Surgery CMG (for Minute 21/15)
Mr M Traynor – Non-Executive Director
Mr P Traynor – Director of Finance
Mr S Ward – Director of Corporate and Legal Affairs
Ms J Wilson – Non-Executive Director

Mr M Curtis – Local Counter Fraud Specialist (East Midlands Internal Audit Services) (until and including Minute 22/15/3)

Mr J Brown – KPMG (the Trust's External Auditor)
Mr D Hayward – KPMG (the Trust's External Auditor)

Ms A Breadon – Director, PwC (the Trust's Internal Auditor)
Ms N Shaw – Manager, PwC (the Trust's Internal Auditor)

RECOMMENDED ITEM

ACTION

16/15 Report from the Director of Finance

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

RESOLVED ITEMS

17/15 **APOLOGIES**

There were no apologies for absence.

18/15 **MINUTES**

Resolved – that the Minutes of the meeting held on 8 January 2015 (paper A refers) be confirmed as a correct record.

19/15 **MATTERS ARISING FROM THE MINUTES**

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

Minute 7/15/1b (ii) of 8 January 2015 (Review of Governance Arrangements for Empath) – an update on the wider review of the governance structure was scheduled for the Integrated Finance Performance and Investment Committee in March 2015, and

Minute 44/14/4 of 27 May 2014 – a report on the tendering of the Internal Audit and Local Counter Fraud Service contracts would be presented to the Audit Committee in September 2015 as the Audit Committee in July 2015 would not be going ahead.

Resolved – that the matters arising report (paper B) be received and noted.

20/15

UHL RISK MANAGEMENT REPORT INCORPORATING THE BOARD ASSURANCE FRAMEWORK (BAF) FOR THE PERIOD ENDING 31 JANUARY 2015

The Director of Safety and Risk and the Risk and Assurance Manager attended the meeting to present paper C, providing an overview of the development of the UHL 2014-15 BAF and assurance in relation to the effectiveness of risk management processes within UHL.

The Director of Safety and Risk advised that draft updated 2015-16 strategic objectives, key priorities and principal risks had been discussed at the Trust Board Thinking Day on 12 February 2015 and changes were now under consideration noting that the key Quality Commitment priorities for 2015-16 had yet to be agreed.

The Director of Safety and Risk confirmed that as part of the annual work plan for the corporate risk team, a review of risk management at CMG level had been completed. The review had included attendance by the corporate risk team at CMG Quality and Safety Board meetings to observe how risk issues were discussed and managed.

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

21/15

MUSCULO SKELETAL AND SPECIALIST SURGERY (MSS) CMG PRESENTATION – UPDATE ON RISK MANAGEMENT PROCESS IN THE CMG

Mr R Power, Clinical Director and Ms S Taylor, Head of Operations from the MSS CMG attended the meeting to present paper D, an update on risk identification, management and maintenance of the risk register within the MSS CMG.

The Head of Operations advised that the key risks and the associated action plans were formally reviewed monthly at the CMG Board. Local owners were expected to review the risk register at regular intervals and they were accountable for ensuring that the action plan was implemented as per the risk entry. She also highlighted that the CMG had experienced issues in ensuring that the risks identified and ratified at the CMG Board were entered in a timely manner onto the risk register, however, this issue had now been addressed.

In response to a query on how issues were followed-up, the Head of Operations advised that key performance indicators, patient/ward surveys, complaints, incidents, claims information would also be reviewed to ascertain whether the issues required recording on the risk register.

Responding to a query on how the CMG senior team ensured that CMG staff understood risk management, it was noted that all staff had access to a copy of the risk management policy through the Trust's intranet. When changes were made to the policy, the CMG senior team were responsible for disseminating changes.

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

22/15 ITEMS FROM THE LOCAL COUNTER FRAUD SPECIALIST

22/15/1 Local Counter Fraud Specialist (LCFS) Progress Report

Paper E provided assurance regarding the actions taken to mitigate the risk of fraud, bribery or corruption within the Trust.

Mr M Curtis, Local Counter Fraud Specialist advised that the Counter Fraud eLearning module would be transferred onto the eUHL training format imminently. In the meantime, the counter fraud eLearning module had been issued to every member of staff that had been employed by the Trust since April 2014.

Mr R Moore, Non-Executive Director Designate queried the apparent low number of fraud cases – in response, the Local Counter Fraud Specialist acknowledged this highlighting that the distribution of cases varied significantly between geographical regions and that how cases were categorised by difference organisations was also slightly different, which might help explain the figures.

Responding to a query from Mr M Traynor, Non-Executive Director, the Director of Corporate and Legal Affairs advised that the Prevention of Bribery Policy had been prepared in line with the Bribery Act 2010 and he confirmed that an updated version of the Policy would be submitted to the Audit Committee in May 2015.

DCLA

Members noted the contents of appendix A – open and recent case closures.

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

(B) the updated Prevention of Bribery Policy be submitted to the Audit Committee in May 2015.

DCLA

22/15/2 Draft Annual Work Plan 2015-16 for Counter Fraud, Bribery and Corruption

Paper F, the draft Counter Fraud, Bribery and Corruption Operational Plan for 2015-16 had been formulated on the basis of the 2014-15 NHS Protect Guidance and Provider Standards as the 2015-16 guidance had not been issued at the time of preparation of the report. However, the 2015-16 guidance had now been issued.

The 2015-16 annual work plan for Counter Fraud, Bribery and Corruption was endorsed, as presented.

Resolved – that the 2015-16 annual work plan for Counter Fraud, Bribery and Corruption be endorsed, as presented.

22/15/3 Fraud Referral Report

Resolved – that the contents of paper F1 be received and noted.

23/15 ITEMS FROM INTERNAL AUDIT

23/15/1 Internal Audit Reviews

a. Off Payroll Engagements

Paper G1 included details of Internal Audit's review of off payroll engagements. The final report had been classified as medium risk with findings reported as follows:-

- 3 medium rated operating effectiveness findings, and
- 1 low rated control design finding.

The Acting Director of Human Resources and the Women's and Children's CMG HR Lead attended the meeting to provide a management response to the audit

report.

It was noted that the Trust's guidance on off-payroll engagements was not consistently followed across the Trust and in particular there was no procedure in place to follow-up nil returns. The Women's and Children's CMG HR Lead acknowledged the issues and highlighted that revised guidance had now been drafted and circulated for comments and the final version would be launched in mid-April 2015. Responding to a query, it was noted that the actual steps that staff should follow for off-payroll engagements and the possible consequences of non-compliance had also been included in the revised guidance. The Interim Audit Committee Chair noted that appropriate steps had been taken to address the issues highlighted through the audit noting that an update on off-payroll engagements was a standing item on the agenda for the Remuneration Committee.

Resolved – that the contents of paper G1 be received noted.

b. Review of the National Institute for Health Research (NIHR) Clinical Research Network (CRN): East Midlands

Paper G2 included details of Internal Audit's review of NIHR's Local Clinical Research Network (CRN) East Midlands. The final report had been classified as medium risk with findings reported as follows:-

- 1 medium and 3 low rated control design findings, and
- 2 low rated operating effectiveness finding.

Professor D Rowbotham, Clinical Director, CRN attended the meeting to provide a response to the review findings.

The Committee noted Internal Audit's findings in relation to 'commercial funding control design' and the comments of the Clinical Director in response to these findings in the light of the comments raised at the meeting.

The Committee noted that Internal Audit would re-visit the CRN East Midlands in July 2015 to seek assurance on action taken in response to the findings of the review.

Resolved – that (A) the contents of paper G2 be received and noted, and

(B) Internal Audit be requested to re-visit the Clinical Research Network East Midlands in July 2015 to seek assurance that actions following their review had been completed.

IA

c. Facilities Management

Paper G3 detailed Internal Audit's review of Facilities Management. The final report had been classified as medium risk with findings reported as follows:-

- 2 medium rated control design finding, and
- 1 low rated control design finding.

The key findings from this review were in relation to the absence of a succession plan and contract monitoring requirements. It was noted that Mr D Kerr, Interim Director of Estates and Facilities had been sighted to this report and would be progressing the actions. A substantive appointment to the post of Director of Estates and Facilities was expected to be made in April 2015.

Resolved – that the contents of paper G3 be received and noted.

d. Financial Systems

Paper G4 included details of the report classification and findings of the 2014-15

Internal Audit review of Financial Systems. The final report had been agreed with management at the Trust with the systems in scope classified as either low or medium risk as follows:-

- Debtors low risk – 1 low rated control design finding;
- Procurement and creditors low risk – 1 medium and 1 low rated operating effectiveness finding;
- Payroll low risk – no findings to report;
- Financial ledger low risk – 1 medium and 1 low rated operating effectiveness finding;
- Budgetary control low risk – 1 low rated operating effectiveness finding, and
- Fixed assets low risk – no findings to report.

Following discussion, the Director of Finance undertook to liaise with the Acting Director of Human Resources and arrange for a report to be presented to a future meeting of the Audit Committee in respect of the Trust's approach to salary overpayments. The Interim Audit Committee Chair commented that he was aware of another organisation which undertook a quarterly 'live' check of whether staff on the payroll were still employed – this approach had helped to identify salary overpayments.

DF

Resolved – that (A) the contents of paper G4 be received and noted, and

(B) the Director of Finance be requested to liaise with the Acting Director of Human Resources and arrange for a report on the Trust's approach to salary overpayments to be submitted to the Audit Committee in May 2015.

DF

e. Car Parking Income Collection

Paper G5 included details of the report classification and findings of the 2014-15 Internal Audit review of Car Parking Income Collection. The final report had been classified as low risk with 1 medium and 2 low rated operating effectiveness findings and 1 low rated control design finding.

Resolved – that the contents of paper G5 be received and noted.

23/15/2 2014-15 Internal Audit Progress Report

The Director, Internal Audit presented paper H, an update on progress made against the 2014-15 Internal Audit Risk Assessment and Plan. An update on the total number of days allocated and utilised in respect of the Internal Audit work had been included in the progress report.

Responding to a query, it was noted that the Leicester City CCG had commissioned an audit to review overseas patients, however, this was a joint piece of work between UHL and the CCG.

In response to a query from Mr R Moore, Non-Executive Director Designate, the Director of Corporate and Legal Affairs provided an update on the process for following-up outstanding Internal Audit actions noting that there was scope for improvement.

In discussion on the list of overdue and outstanding Internal Audit actions, the Director of Finance queried whether a consolidated list of outstanding and in-progress actions following Internal Audit, External Audit and LCFS recommendations was available – the Director of Corporate and Legal Affairs advised that the consolidated list was in preparation and a report would be available for the Audit Committee in May 2015.

DCLA

Resolved – that (A) the contents of paper H, Internal Audit progress report for

2014-15 be received and noted, and

(B) the Director of Corporate and Legal Affairs be requested to coordinate and ensure that a consolidated list of outstanding and in-progress actions following Internal Audit, External Audit and LCFS recommendations was submitted to the May 2015 Audit Committee meeting and to each subsequent Committee meeting.

DCLA

23/15/3 2015-16 Draft Internal Audit Plan

Paper I set out the risk assessment and proposed Internal Audit plan for the Trust for 2015-16 based on discussions held with the Executive Team and review of the Board Assurance Framework.

The Interim Audit Committee Chair noted that the response of the Director, Internal Audit in relation to the Trust's approach to 'penetration testing'.

Responding to a query, it was noted that the 2015-16 fees for Internal Audit work were the same as in 2014-15.

Resolved – that the internal audit plan for 2015-16 (paper I) be approved.

24/15 ITEMS FROM EXTERNAL AUDIT

24/15/1 External Audit Progress Report

Paper J detailed the External Audit progress report updating the Committee on work undertaken in the last quarter, planned for the next quarter and provided technical updates, for information. Mr J Brown, KPMG highlighted that NHS England guidance on the review of Quality Accounts had not yet been issued but was imminent.

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

24/15/2 2014-15 External Audit Plan

Paper K set out the 2014-15 External Audit plan and audit fee for 2014-15. According to the Audit Commission's Code of Audit Practice, External Auditors were required to review and report on:-

- financial statements (including the Annual Governance Statement): providing an opinion on the Trust's accounts, and
- use of resources: concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Trust's use of resources (the value for money (VFM) conclusion).

In response to a query, it was noted that the Trust would be commissioning Gerald Eve to undertake a full/revaluation exercise on land and buildings as at 31 March 2015.

Resolved – that the contents of paper K be received and noted and the External Audit plan for 2014-15 be approved.

25/15 FINANCE

25/15/1 Discretionary Procurement Actions

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

25/15/2 Overseas Visitors Update – Position and Debt Write-Off

Paper M informed the Audit Committee of the current debt position in respect of overseas visitors and the actions that had been taken and which were planned to implement new national regulations in this area.

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

26/15 DRAFT ANNUAL GOVERNANCE STATEMENT 2014-15

The Director of Corporate and Legal Affairs presented paper O, an update on the preparation of the draft annual governance statement (AGS) 2014-15 .

The Director of Corporate and Legal Affairs suggested that the following issues would be highlighted in the AGS:-

- (a) Empath;
- (b) Emergency Department performance;
- (c) RTT Performance;
- (d) Cancer Performance;
- (e) Financial Position, and
- (f) Interserve.

The Director of Corporate and Legal Affairs undertook to circulate a draft AGS 2014-15 outwith the meeting for comment by Committee members, ahead of the final draft version being presented to the Audit Committee in May 2015 for formal approval and onward recommendation to the Trust Board.

DCLA

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

(B) the Director of Corporate and Legal Affairs be requested to circulate a draft Annual Governance Statement 2014-15 outwith the meeting for comment by Committee members, ahead of the final draft version being presented to the Audit Committee in May 2015 for formal approval and onward recommendation to the Trust Board.

DCLA

27/15 PLAN FOR DEVELOPING A PRIVATE PATIENT STRATEGY

Paper P submitted on behalf of the Director of Strategy, the plan for developing a private patients' strategy was noted.

Col (Ret'd) I Crowe, Non-Executive Director suggested that alongside the development of the strategy consideration be given to a robust means to administer and recover private patient costs.

HoP

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

(B) on behalf of the Director of Strategy, the Head of Partnerships be requested to give consideration to a robust means to administer and recover private patient costs.

HoP

28/15 ASSURANCE GAINED FROM THE FINANCE AND PERFORMANCE COMMITTEE (FPC), QUALITY ASSURANCE COMMITTEE (QAC) AND CHARITABLE FUNDS COMMITTEE (CFC)

28/15/1 Quality Assurance Committee

Resolved – that the Minutes of the Quality Assurance Committee meeting held on 29 January 2015 (paper Q refers) be received and noted.

28/15/2 Finance and Performance Committee

Resolved – that the Minutes of the Finance and Performance Committee

meeting held on 29 January 2015 (paper R refers) be received and noted.

28/15/3 Charitable Funds Committee

Resolved – that the Minutes of the Charitable Funds Committee meeting held on 19 January 2015 (paper S refers) be received and noted.

29/15 **ANY OTHER BUSINESS**

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

30/15 **IDENTIFICATION OF KEY ISSUES THAT THE COMMITTEE WISHES TO DRAW TO THE ATTENTION OF THE TRUST BOARD**

Resolved – that the following items be brought to the attention of the Trust Board:-

- report from the Director of Finance be recommended to the Trust Board for approval (Minute 16/15 refers);
- MSS CMG's update on their risk management processes and in particular the issues in populating the risk register (Minute 21/15 refers);
- review of Off Payroll Engagements (Minute 23/15/1a refers), and
- the preparation of the draft Annual Governance Statement 2014-15 (Minute 26/15 refers).

Interim AC
Chair

31/15 **DATE OF NEXT MEETING**

Resolved – that the next meeting be held on Wednesday, 27 May 2015, between 11:00am-1:30pm in the Teaching Room 2, Clinical Education Centre, Leicester Royal Infirmary.

The meeting closed at 16:10pm.

Hina Majeed,
Trust Administrator

Cumulative Record of Members' Attendance (2014-15 to date):

Name	Possible	Actual	% attendance
K Jenkins (Chair)	2	2	100%
M Williams (Interim Chair)	3	3	100%
I Crowe	6	5	83%
S Dauncey	4	3	75%
P Panchal	6	6	100%

Attendees

Name	Possible	Actual	% attendance
P Hollinshead	2	2	100%
S Ward	6	6	100%
R Overfield	5	1	20%
S Sheppard	1	1	100%
P Traynor	3	3	100%