

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

**DATE OF TRUST BOARD MEETING: 1 February 2018**

**COMMITTEE: Audit Committee**

**CHAIRMAN: Richard Moore, Non-Executive Director**

**DATE OF COMMITTEE MEETING: 12 January 2018**

**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: 2 March 2018**

**Richard Moore  
Non-Executive Director and Audit Committee Chair**

**UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST**  
**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON FRIDAY, 12<sup>TH</sup>**  
**JANUARY 2018 AT 9AM IN SEMINAR ROOMS 2 AND 3, CLINICAL EDUCATION**  
**CENTRE, GLENFIELD HOSPITAL**

**Present:**

Mr R Moore – Non-Executive Director (Chair)  
Col (Ret'd) I Crowe – Non-Executive Director  
Mr A Johnson – Non-Executive Director  
Mr M Traynor – Non-Executive Director

**In Attendance:**

Mr C Benham – Director of Operational Finance  
Mr J Clarke – Chief Information Officer (for Minutes 99/17 and 100/17/2.1)  
Ms S Everatt – Interim Corporate and Committee Services Officer  
Mr R Manton – Risk and Assurance Manager (for Minute 104/17/1)  
Mr W Monaghan – Director of Performance and Information (for Minute 100/17/2.2)  
Mr N Sone – Financial Controller  
Mr P Traynor – Chief Financial Officer  
Mr S Ward – Director of Corporate and Legal Affairs

Mr N Mohan – Local Counter Fraud Specialist, PwC

Ms E Mayne – Senior Audit Manager, Grant Thornton (the Trust's External Auditor)

Mr M Stocks - Partner, Grant Thornton (the Trust's External Auditor)

Ms A Breadon – Head of Internal Audit, PwC (the Trust's Internal Auditor)

**RESOLVED ITEMS**

**ACTION**

**96/17 APOLOGIES**

**Resolved** – that apologies for absence be received on behalf of Ms M Durbridge, Director of Safety and Risk, and Ms C Wood, Senior Manager, PwC.

**97/17 MINUTES**

**Resolved** – that the Minutes of the meeting held on 17<sup>th</sup> November 2017 (papers A1 and A2) be confirmed as correct records.

**98/17 MATTERS ARISING**

The Committee received and noted paper B, advising on progress of the actions and matters arising from previous Committee meetings. The Committee noted in particular:

- (a) **Item 17 – delivery of IM&T projects – consideration of lessons to be learned (Minute 93/17/1 - 17<sup>th</sup> November 2017 refers)** – that discussions had taken place around orphan systems and IM&T involvement with and reviews of such systems. All new IM&T systems must now be signed off by IM&T prior to purchase and this message would be reinforced across the organisation with plans to then be put in place to mitigate any risks. In discussion of this item it was agreed that the Director of Corporate and Legal Affairs would be requested to ensure that a paper was provided to the next Audit Committee which detailed the lessons learned on the issue of orphan systems, reinforcement across the organisation of the IM&T departments involvement in all new IM&T hardware and software purchases and

**DCLA**

mitigation of risks, and future governance arrangements including clear lines of responsibility, and

- (b) **Item 18 – update on EMRAD issues (Minute 52/17/2 – 6<sup>th</sup> July 2017 refers)** – updates had been received on this matter at the People, Process and Performance Committee. Following the withdrawal from the EMRAD consortium, new training arrangements would be put in place once the standalone system had been developed. Item to be closed.

**Resolved** – that the matters arising report (paper B) be received and noted, taking into account the comments made at the meeting in relation to items 17 and 18 of the action log.

**99/17 CONFIDENTIAL REPORT BY THE CHIEF INFORMATION OFFICER**

**Resolved** – that this Minute be classed as confidential and taken in private accordingly on the grounds that public consideration at this stage would be prejudicial to the effective conduct of public affairs.

**100/17 REPORTS FROM INTERNAL AUDIT**

**100/17/1 Internal Audit Progress Report**

Ms A Breadon, Head of Internal Audit introduced paper C and the Committee noted:

- (a) that final reports had been issued in relation to the data quality review (Minute 100/17/2.2 below refers), and the matter identified at Minute 100/17/2.1 below refers) respectively;
- (b) that the draft reports for the EPR Plan B review, and the Backlog Maintenance review had been issued;
- (c) that field work on the Financial Systems review, NIHR Clinical Research review, and Cash Management review had now been completed;
- (d) that the Payroll Services review had now been scoped, and
- (e) that it had been agreed to defer the Dynamic Priority Scoring review to 2018-19 and that this had been replaced by mock interviews in advance of the CQC inspection.

The progress report also identified the number of actions arising from earlier Internal Audit reviews which were overdue and outstanding, as summarised in appendix A of paper C (Minute 104/17/3 below also refers). The Director of Corporate and Legal Affairs reported that, following a discussion at the Executive Quality Board on 9<sup>th</sup> January 2018, a number of the actions had now been closed or had been given short-term extensions to the deadlines. The Chief Executive had confirmed to the relevant leads that no more extensions would be given for these actions, and that they would be required to attend, and be accountable to, the Audit Committee if they breached the extended deadlines.

**Resolved** – that the Internal Audit progress report (paper C) be received and noted.

100/17/2 Finalised Internal Audit Reports

The Head of Internal Audit introduced paper D summarising the findings of the two Internal Audit reviews which had been concluded since the Committee had met in November 2017, namely:

- (a) the review now identified, and
- (b) Data Quality review.

100/17/2 Internal Audit review – confidential report

.1

**Resolved – that this Minute be classed as confidential and taken in private accordingly on the grounds that public consideration at this stage would be prejudicial to the effective conduct of public affairs.**

100/17/2 Data Quality review (Overall Medium Risk Rating)

.2

The Head of Internal Audit introduced paper D2, the Internal Audit review of the Trust's Data Quality systems which included assessment of the 4 hour wait in the Emergency Department (target of 95%), and three key indicators for cancer targets – (1) 2 week wait – urgent GP referral to first date seen (target 93%), (2) 31 day wait – diagnosis to treatment (target 96%) and (3) 62 day wait – urgent GP referral to treatment (target 85%). The Director of Performance and Information was in attendance and outlined the key findings and response. The recommendations were being progressed including changes to be made to the Infoflex system to provide a clearer audit record.

The Committee noted that whilst an annual data quality review was undertaken, the metrics for the review changed each year. In discussion of this item it was agreed that the Chief Financial Officer/Director of Performance and Information be requested to ensure that high profile targets, such as cancer and RTT, featured on the annual Internal Audit programme. It was also agreed that the Director of Corporate and Legal Affairs be requested to provide a regular quarterly update from the Data Quality Forum that he chaired.

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Further detail of the findings of Internal Audit were summarised in paper D2.

**Resolved – that (A) the Internal Audit review of the Trust's Data Quality systems (paper D2) be received and noted;**

**(B) that the Director of Corporate and Legal Affairs be requested to provide a quarterly update from the Data Quality Forum to the Audit Committee, and**

**DCLA**

**(C) that the Chief Financial Officer/Director of Performance and Information be requested to ensure that high profile targets, such as cancer and RTT, featured on the annual Internal Audit programme.**

**CFO/  
DPI**

**101/17 REPORTS FROM THE LOCAL COUNTER FRAUD SPECIALIST (LCFS)**

101/17/1 Local Counter Fraud Specialist Progress Report

Mr N Mohan, Local Counter Fraud Specialist, introduced paper E1, briefing the Committee on progress of counter fraud activity measured against the 2017/18 Local Counter Fraud Work Plan, providing a summary of referrals received and detailing the

alerts and publications which had been shared with the Trust. The Committee noted:

- (a) that the work plan was on course to be completed by the year end, and
- (b) that the new NHS Counter Fraud Authority's (NHS CFA) strategy (Minute 82/17/1 of 17<sup>th</sup> November 2017) was appended to the report.

**Resolved – that the Local Counter Fraud progress report dated January 2018 (paper E1) be received and noted.**

101/17/2 Fraud Risk Group

Further to Minute 82/17/2 of 17<sup>th</sup> November 2017, Mr N Mohan, Local Counter Fraud Specialist (LCFS) introduced paper E2, appended to which was a copy of the Fraud Risk Group minutes and action plan resulting from the most recent Fraud Risk Group meeting on 2<sup>nd</sup> November 2017.

The Committee noted that the Group included management representatives from across the Trust, working with the LCFS team to map out known and potential risk areas, mitigating controls and sources of assurance in place at the Trust. In discussion, the Committee noted that:

- (a) a number of apologies had been received for the November 2017 meeting and that engagement was problematic where there were competing organisational priorities. The LCFS was advised to escalate to the Chief Financial Officer and Audit Committee if engagement fell below acceptable levels;
- (b) a reminder would be circulated for the March 2018 Group meeting, and it would be necessary to ensure that all relevant sectors were represented. In discussion of this item it was agreed that Payroll and IT in particular would require representation and that the Director of Operational Finance would speak to the Chief Information Officer to ensure appropriate representation, and
- (c) attendance levels may be increased if the meeting was re-located to Leicester Royal Infirmary as a number of the staff had commitments there.

DoF

**Resolved – that (A) the Fraud Risk Group Minutes and Action Log (paper E2) be received and noted, and**

**(B) that the Director of Operational Finance be requested to speak to the Chief Information Officer around ensuring appropriate representation at the Fraud Risk Group meetings following a number of non-attendances.**

DoF

**102/17 REPORTS FROM EXTERNAL AUDIT**

102/17/1 External Audit Progress Report

Mr E Mayne, Senior Audit Manager, Grant Thornton and Mr M Stocks, Partner, Grant Thornton introduced paper F, updating the Committee on progress to date with: (1) the financial statements audit, (2) value for money work as set out by guidance issued by the National Audit Office, and (3) other areas, such as the Quality Account. It was reported that Ms T Barker would be the Assistant Manager on the audit and would be introduced to members in due course. The final accounts audit was due to commence on 23<sup>rd</sup> April 2018, with findings to be reported to the Trust by the deadline of May 2018.

The Committee:

- (a) noted that the first two audit deliverables had been completed and the remainder were on track;
- (b) noted that the report, "A Healthy Relationship: Effective Partnerships with the NHS" had been produced following a round table event and could be accessed via the auditor's website or hard copies could be requested;
- (c) noted that the Chief Financial Officer and Director of Operational Finance were liaising with External Audit on the specific issue now identified, and
- (d) that External Audit would endeavour to provide their preliminary audit view on the specific issue now identified by the February 2018 Trust Board meeting.

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EA

**Resolved – that the External Audit progress report (paper F) be received and noted.**

102/17/2 External Audit Action Plan

Mr M Stocks, Partner, Grant Thornton introduced paper G which detailed the planned scope and timing for delivery of the statutory External Audit of the Trust and included information on sector issues relevant to members of the Committee.

The Committee:

- (a) noted the approach the External Auditor planned to adopt, as now explained by Mr Stocks;
- (b) discussed the risks identified which required specific audit consideration. Specific discussion took place, and guidance was provided, around the 'Going Concern' and 'Value for Money' risks. In discussion of this item it was agreed that the Chief Financial Officer would be requested to provide a draft Going Concern report to the March 2018 Trust Board meeting, ahead of the final report which would accompany the financial accounts as was normal practice.
- (c) undertook a discussion around quantifying the 'Value for Money' element.

CFO

**Resolved – that (A) the External Audit Plan (paper G) be received and noted, and**

**(B) that the Chief Financial Officer be requested to provide a draft Going Concern report to the March 2018 Trust Board meeting, ahead of the final report which would accompany the financial accounts as is normal practice.**

CFO

103/17 **FINANCE – STRATEGIC AND OPERATIONAL ISSUES**

103/17/1 Alliance Asset Transfer – update

The Chief Financial Officer introduced paper H which provided a further update around the proposal (outlined under Minute reference 87/17 at the November 2017 Audit Committee meeting) to transfer approximately £2.4m of assets from East Leicestershire Clinical Commissioning Group (ELCCG) and West Leicestershire Clinical Commissioning Group (WLCCG) to the Trust. The assets were currently used in the delivery of services by the Leicester, Leicestershire and Rutland Alliance, which the Trust hosts. The proposal was approved in principle at the 17<sup>th</sup> November 2017 Audit

Committee meeting. The Committee noted that:

- (a) the full details of the transfer had yet to be finalised and confirmation was awaited from NHS Improvement and NHS England on the method of the transfer,
- (b) the asset verification work had been completed and all but £53k (£31k for WLCCG and £22k for ELCCG) of the £2.4m assets had now been identified and physically verified. The values related to mainly low value surgical instruments,
- (c) the Audit Committees of both Clinical Commissioning Groups had approved the transaction subject to the caveat that they incurred no losses on disposal, although since this report was written ELCCG had now confirmed that they would write off the £22k and it was proposed that the £31k may need to be written off as a loss for the Alliance in the future, and
- (d) a discussion took place around the tagging of assets and it was agreed that the Chief Financial Officer would be requested to provide a short briefing paper to the next Audit Committee around the usage of tags for asset tracking.

CFO

The Committee was invited to give approval to the acceptance of the costs of the instruments by the Trust as part of the transfer (as detailed in paper H).

**Resolved – that (A) approval be given to the proposal to acceptance of the costs of the instruments by the Trust as part of the Alliance Asset transfer, and**

**(B) the Chief Financial Officer be requested to submit a report to the next Committee meeting around the usage of tags for asset tracking.**

CFO

103/17/2 Update on Overseas Visitors Hospital Charging Regulations

The Financial Controller introduced paper I updating the Committee on the new Overseas Visitors Hospital Charging Regulations which had come into force on 23<sup>rd</sup> October 2017. Appended to Paper I was a report from the Department of Health's Cost Recovery Support Team (CRST) following their visit to the Trust on 25<sup>th</sup> October 2017. The Committee noted:

- (a) the findings arising from the visit to the Trust on 25<sup>th</sup> October 2017 by the Department of Health's Cost Recovery Support Team, as set out in paper I,
- (b) that an operational sub group had been established at the Trust to oversee the implementation of the new Regulations which included technical expertise from the Trust's Performance and Information team and medical expertise from the Deputy Medical Director,
- (c) the Trust had been requested to produce a detailed action plan based on the report and to complete the implementation of these actions by 31<sup>st</sup> March 2018, the date when CRST support would cease, and
- (d) it was anticipated that to properly embed the required processes it would take between six to eight weeks of dedicated resource to coordinate across the Trust, but this could not be provided at this time due to other priorities.

In discussion of this item it was agreed that further organisational support would be required for the required culture change and the Financial Controller would be

requested to provide the paper and revised UHL only action plan to an Executive Board meeting for further discussion. The Committee agreed that it should receive a further report on this subject at its next meeting in March 2018 following discussion at the Executive Board meeting. It was noted that further consideration would be required of the reporting requirements for the Trust Board of an overseas visitors' dashboard, and that this may be via the Finance and Investment Committee.

CFO

CFO

**Resolved – that (A) the report submitted updating the Committee on the implementation of the new Overseas Visitors Hospital Charging Regulations 2017 and on the CRST findings, be received and noted;**

**(B) that the Chief Financial Officer be requested to undertake a further discussion at an Executive Board around the paper and revised Trust only action plan, and**

CFO

**(C) that the Chief Financial Officer be requested to provide a further update on this matter to the March 2018 Audit Committee meeting.**

CFO

103/17/3 Review of Prime Financial and Accounting Policies

The Director of Operational Finance introduced paper J outlining the Trust's accounting policies for 2017/18. The Committee noted:

- (a) that the Trust's accounts were governed by the Government Financial Reporting Manual 2017-18 (FReM), which was the technical accounting guide to the preparation of financial statements,
- (b) the detailed accounting policies for NHS Trusts were set out in the Department of Health Group Accounting Manual 2017-18 (GAM) which provided guidance and instruction to NHS Trusts on preparing and publishing their Accounts and Annual Report,
- (c) the standard accounting policies had been reviewed and tailored to the Trust, and
- (d) detail would be shared with the Trust's External Auditors as part of their interim audit.

The Audit Committee was asked to approve the accounting policies set out in paper J.

**Resolved – that (A) the contents of the review of prime financial and accounting policies (paper J) be received and noted, and**

**(B) that approval be given to the accounting policies as set out in paper J.**

103/17/4 Discretionary Procurement Actions

Paper K provided a summary of the nine occasions when it had been necessary to waive the Trust's regular procurement processes during November and December 2017.

Appendix 1 to the paper set out the details of each case of need and provided explanations for the respective approvals.

**Resolved – that the summary of discretionary procurement action now submitted (paper K) be received and noted.**

**104/17 GOVERNANCE**

104/17/1 Integrated Risk Management Report (including the 2017-18 Board Assurance Framework)

The Risk and Assurance Manager attended the meeting to introduce paper L, the integrated risk management report incorporating the Board Assurance Framework and Risk Register for the period ending 30<sup>th</sup> November 2017.

The Board Assurance Framework Dashboard was attached at appendix 1 and a dashboard of the 45 organisational risks scoring 15 and above was attached at appendix 2.

The Committee:

- (a) noted that there were two annual priorities (both relating to components of the Quality Commitment) that had been assessed as off-track at the month-end (November 2017), with three forecasted to be at risk of non-delivery in 2017-18,
- (b) noted that the highest-rated risks continued to relate to workforce capacity and capability, management of finances and variation between capacity and demand,
- (c) noted that a thematic analysis of the Clinical Management Groups' risk register entries showed the most common risk causation themes as workforce shortages, demand and capacity imbalance, equipment resource gaps, estates backlog, IM&T infrastructure gaps, and potential non-compliance with local and national policy requirements,
- (d) noted that CQC feedback from their recent visit had been very positive in relation to management and recording of risk,
- (e) noted that confirmation had been received at the Executive Performance Board in December 2017 that four corporate risks would be worked up for the risk register around: (1) information management and technology, (2) financial risks (3) estates and facilities, and (4) information governance. In discussion of this item it was noted that Information Management and Technology risks were often an enabler for other corporate risks and, as such, it was agreed that the Risk and Assurance Manager would be requested to feedback to the Chief Information Officer around the Audit Committee's expectation that IM&T risks were appropriately included in the organisational risk register. The Risk and Assurance Manager would be requested to ensure that there was a section in his report for the March 2018 Audit Committee which detailed the Information Management and Technology risks and any risks which had not been included and an explanation as to why, and
- (f) a discussion took place around outpatient transformation and the timetable for reporting.

RAM

**Resolved – that (A) the integrated risk management report for the period to 30<sup>th</sup> November 2017 (paper L) be received and noted, and**

**(B) that the Risk and Assurance Manager be requested to feedback to the Chief Information Officer around the Audit Committee's expectation that all IM&T risks are included in the organisational risk register. The Risk and Assurance Manager**

RAM

**to ensure there is a section in his report for the March 2018 Audit Committee which details the IM&T risks and any risks which have not been included and an explanation of why, and**

**(C) that the Risk and Assurance Manager be requested to add a risk to the risk register around changes to and stability of the senior management team.**

**RAM**

104/17/2 Sustainability and Transformation Partnership (STP) – Governance Arrangements

The Director of Corporate and Legal Affairs reported orally and briefed the Committee on a range of issues relating to the Leicester, Leicestershire and Rutland Sustainability and Transformation Partnership.

The Committee noted that, following a workshop session held on 28<sup>th</sup> November 2017 involving members drawn from all Leicester, Leicestershire and Rutland NHS Boards, it had been agreed that existing governance arrangements would continue and that the System Leadership Team would operate under the agreed Memorandum of Understanding which would be updated to streamline decision-making. A discussion would take place at the next Finance and Investment Committee around the accountable care system and the planning, finance and performance model, and an update would be provided at a future Trust Board Thinking Day.

**Resolved – that the oral report now made by the Director of Corporate and Legal Affairs on the Leicester, Leicestershire and Rutland Sustainability and Transformation Partnership governance arrangements be received and noted.**

104/17/3 Consolidated List of Outstanding Audit Recommendations

The Director of Corporate and Legal Affairs introduced paper M, providing the RAG rated tracker of all overdue recommendations arising from Internal Audit, External Audit and local counter fraud reviews. It was noted that discussion of this item had taken place under Minute reference 100/17/1 above.

**Resolved – that the consolidated list of outstanding audit recommendations (paper M) be received and noted.**

**105/17 ASSURANCE GAINED FROM COMMITTEES ON KEY RISKS/ISSUES**

105/17/1 Quality and Outcomes Committee (QOC)

The QOC Chair introduced the Minutes of the QOC meetings held on 26<sup>th</sup> October 2017 and 30<sup>th</sup> November 2017, advising that there were no particular issues for the Audit Committee to note.

**Resolved – that the Minutes of the meetings of the Quality and Outcomes Committee held on 26<sup>th</sup> October 2017 and 30<sup>th</sup> November (papers N1 and N2) be received and noted.**

105/17/2 Finance Investment Committee (FIC)

The FIC Chair introduced the Minutes of the FIC meetings held on 26<sup>th</sup> October 2017 and 30<sup>th</sup> November 2017, providing an update on the cash position.

**Resolved – that (A) the Minutes of the meetings of the Finance and Investment**

**Committee held on 26<sup>th</sup> October 2017 and 30<sup>th</sup> November (papers O1 and O2) be received and noted, and**

**(B) that the People, Process and Performance Committee minutes would be included on all future Audit Committee agendas.**

**CCSO**

**105/17/3 Charitable Funds Committee (CFC)**

The Committee received the Minutes of the CFC meeting held on 7<sup>th</sup> December 2017, noting that there were no particular issues for the Audit Committee. It was noted that new investment managers had been appointed following a procurement process – Brewin Dolphin. It was also noted that there had been some changes around restrictions for the NHS in terms of sugar based beverages and the investment managers would be briefed accordingly.

**Resolved – that (A) the Minutes of the Charitable Funds Committee meeting held on 7<sup>th</sup> December 2017 (paper P) be received and noted.**

**106/17 IDENTIFICATION OF KEY ISSUES FOR THE ATTENTION OF THE TRUST BOARD**

**Resolved – that the confidential item identified at Minutes 99/17 and 107/17 be brought to the attention of the Trust Board.**

**107/17 CONFIDENTIAL ITEM OF BUSINESS**

**107/17/1 Report by the Chief Financial Officer**

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

**108/17 DATE OF NEXT MEETING**

**Resolved – that the next Committee meeting be held on Friday, 2<sup>nd</sup> March 2018 between 9am and noon in the CJ Bond Room, Clinical Education Centre, Leicester Royal Infirmary.**

The meeting closed at 11.50am

Sarah Everatt – Interim Corporate and Committee Services Officer

**Cumulative Record of Members’ Attendance (2017-18 to date):**

Name	Possible	Actual	% Attendance
R Moore	5	4	80%
S Crawshaw (up to 16.6.17)	1	0	0%
I Crowe	5	5	100%
A Johnson	5	5	100%
B Patel (up to Sept 2017)	3	3	100%
M Traynor	5	5	100%

**Attendees**

Name	Possible	Actual	% Attendance
N Sone	5	5	100%
S Ward	5	5	100%
P Traynor	5	5	100%