

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: 27 SEPTEMBER 2012

COMMITTEE: Audit Committee

CHAIRMAN: Ms K Jenkins, Non-Executive Director

DATE OF COMMITTEE MEETING: 4 September 2012

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: 13 November 2012

**Mrs K Jenkins
21 September 2012**

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST
MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY 4 SEPTEMBER 2012 AT 10:30AM IN THE BOARD ROOM, VICTORIA BUILDING,
LEICESTER ROYAL INFIRMARY

Present:

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

In Attendance:

Miss M Durbridge - Director of Safety and Risk (for Minute 49/12/1)
 Mrs H Majeed – Trust Administrator
 Mr A Seddon – Director of Finance and Procurement
 Mr N Sone – Financial Accountant
 Mr S Ward – Director of Corporate and Legal Affairs

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

Ms J Watson – Senior Internal Audit Manager (the Trust's Internal Auditor)

RESOLVED ITEMS**ACTION****46/12 PRIVATE DISCUSSIONS WITH BOTH SETS OF AUDITORS**

As at the previous meeting, 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.

47/12 APOLOGIES

Apologies for absence were received from Mr J Birrell, Chief Executive; Mr A Bostock, KPMG (the Trust's External Auditor) and Ms J Clarke, Local Counter Fraud Specialist.

48/12 MINUTES

Resolved – the Minutes of the meeting held on 29 May 2012 (paper B refers) be confirmed as a correct record.

49/12 MATTERS ARISING FROM THE MINUTES

The Chairman confirmed that the Matters Arising report (paper C) highlighted the matters arising from the most recent meeting held on 29 May 2012. Members noted in particular:-

- (a) (re: Minute 32/12/2) – the External Auditors agreed to forward a copy of the finalised External Audit Memorandum to the Audit Committee Chair, for information. **EA**
- (b) (re: Minute 36/12 a) – the Director of Corporate and Legal Affairs agreed to have a discussion with the Medical Director in respect of the processes in place to sign-off 'overdue' clinical audits and ensure that a post-meeting note be included within the Minutes of this meeting. The Senior Internal Audit Manager **DCLA**

also agreed to liaise with the Director of Corporate and Legal Affairs to consider opportunities to raise the profile of clinical audit within Audit Committee agendas. Mr R Kilner, Non-Executive Director commented that Clinicians need to be up-to-date with signing off clinical audits and this should be a prerequisite of being able to apply for a Clinical Excellence award;

SIAM/
DCLA

- (c) (re: Minute 38/12/2) – the Financial Accountant agreed to provide an update on the process for monitoring and embedding procedures relating to overseas visitors and private patients to the Audit Committee in November 2012, and
- (d) (re: Minute 40/12) – the Director of Clinical Quality to provide a further update on :-

- the ways in which management assurance of data quality within the quality account was undertaken, and
- the discussions held with the Assistant Director of Information to ensure that the performance data in the quality account was up-to-date and accurate.

DCQ

Resolved – that the matters arising report (paper C) be received and noted and the actions described above be taken forward accordingly.

EA/DCLA/S
IAM/DCQ

49/12/1

Strategic Risk Register/Board Assurance Framework (SRR/BAF)

The Director of Safety and Risk attended the meeting to present paper D, an update on the development of the 2012-13 SRR/BAF. She advised that the existing SRR/BAF would benefit from a complete refresh to ensure alignment with the new clinical strategy and strategic direction of the Trust. An externally facilitated Board development session had been scheduled on 1 October 2012 in order to achieve this. This exercise would provide an opportunity for the Board to review the content of the SRR/BAF to ensure it was fit for purpose and could be used by the Board to manage risks and also to determine the internal audit plan.

The Director of Safety and Risk provided a brief outline of the agenda for the Board development session on 1 October 2012 noting that Internal Audit colleagues and Ms H Harrison, FT Programme Manager had been invited to attend. The outcome of the session would be a more defined SRR/BAF with greater emphasis on key strategic controls and assurances. There was a need for the SRR to be linked to the operational risk register. The refreshed SRR/BAF would need to drive both the Trust Board and Executive Team agendas and portray an accurate profile of the Trust's current position.

In discussion on this item, members:-

- (a) requested that a draft version of the SRR/BAF be included on the agenda for the private Trust Board meeting on 27 September 2012;
- (b) suggested that BAF of other NHS Trusts and NHS Foundation Trusts be circulated, for information;
- (c) noted the need for a robust monthly review of the BAF in order that the risk entries were up-to-date;
- (d) advised that the current risk and target risk scores were subjective and suggested that a trajectory of progress would be more appropriate;
- (e) requested the Director of Safety and Risk to work out the best possible process (i.e. interactive software used by Internal Auditors) to be used at the Board development session in order to speed up the process on the day to get the best outcome from the session, and
- (f) noted the particular need for the SRR/BAF to be linked with the operational risk register, Long Term Financial Model and the Trust's Integrated Business Programme.

DSR

DSR/EA

Responding to queries, the Director of Safety and Risk advised that at the GRMC meeting on 23 July 2012, it had been agreed that the CBU Managers would be responsible for the local management of risk and risk register entries in the operational risk register. She advised that this had been a step change and assured members that the entries in the operational risk register (ORR) were now capturing all safety and quality issues. It was noted that the ORR was monitored through the QPMG but there was a need for it to be discussed robustly at Divisional Board meetings.

In discussion on the recommendations arising from Internal Audit's risk management review, the Senior Internal Audit Manager agreed to inform the Director of Safety and Risk if evidence to support implementation of any recommendations had not been received.

SIAM

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

(B) the Director of Safety and Risk to:-

(a) circulate copies of the Board Assurance Framework of other NHS Trusts and NHS Foundation Trusts to members of the Trust Board, for information, and

DSR/EA

(b) ensure that a draft version of the UHL's Board Assurance Framework/SRR is included on the agenda for the private Trust Board meeting on 27 September 2012, and

DSR

(C) the Senior Internal Audit Manager to inform the Director of Safety and Risk if evidence to support implementation of any recommendations had not been received in respect of Internal Audit's risk management review.

SIAM

50/12 FINANCE – STRATEGIC AND OPERATIONAL ISSUES

50/12/1 Discretionary Procurement Actions

Paper E outlined the discretionary procurement actions for the period June-August 2012 in line with the Trust's standing orders. In respect of a query in relation to the appointment of an interim CBU Manager, the Director of Finance and Procurement agreed to check if recommendation 2 of the HMT review of tax arrangements was adhered to.

DFP

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

(B) in respect of the request for the appointment of an interim CBU Manager, the Director of Finance and Procurement to check that recommendation 2 of the HMT review of tax arrangements was adhered to.

DFP

50/12/2 2013-14 Business Planning Process

The Director of Finance and Procurement presented paper F, a report which set out the timetable and process for the development of the 2013-14 Annual Operational Plan. The report summarised some of the key interdependencies with the Trust's Foundation Trust application and the development of the Integrated Business Plan (IBP) and the Long Term Financial Model (LTFM). Delivering an effective and efficient business planning process was a complex and multi-faceted activity and the lessons learned/issues from planning processes in the last two years was summarised in section 2 of the paper.

Responding to a query in respect of developing the first draft of the IBP/LTFM for submission by 31 October 2012, the Director of Finance and Procurement advised

that the first draft would be based on top-down assumptions and would reflect high level key themes.

In response to a further query, members were advised that the LLR Better Care Together Programme would be holding two workshops on 27 September and 11 October 2012 to bring together the LLR Clinical Strategy and future scenarios and site reconfiguration proposals which would stem from it. These workshops would take place in parallel to the development of the Trust's first draft IBP and LTFM by the end of October 2012. The deadline for the completion of the LLR financial and economic modelling was November 2012 and as such the outputs would be fully reflected in subsequent versions of UHL's IBP and LTFM.

It was also noted that the Trust's IBP would be supported by the specialty level IBPs which were being developed by Divisions/CBUs.

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

50/12/3 Financial results YTD and controls over expenditure

The Director of Finance and Procurement provided a verbal update advising that the Trust reported a cumulative £3.8m deficit for the first 4 months (2012-13) and the main area of concern was non-pay spend. An email reminder had been sent in respect of pay and non-pay controls for reinforcement in Divisions/CBUs and Corporate Directorates with immediate effect. A discussion on the first cut of the Divisional recovery plans had been scheduled to be held in the afternoon on 4 September 2012.

Responding to a query from the Committee Chair, it was noted that the Divisional Finance Managers were accountable to the Divisional Director and reported professionally to the Assistant Director of Finance. The Director of Finance and Procurement advised that there had been some internal moves of Divisional Finance Managers.

The Committee Chair and Mr R Kilner, Non-Executive Director challenged the timescales for implementation of performance management measures. In response, the Director of Finance and Procurement agreed to provide an update on this matter at the Audit Committee meeting in November 2012.

DFP

Resolved – that (A) the verbal update be received and noted, and

(B) the Director of Finance and Procurement to provide an update on implementation of performance management measures including timescales and accountabilities at the Audit Committee meeting in November 2012.

DFP/TA

51/12 ITEMS FROM INTERNAL AUDIT

51/12/1 Internal Audit Progress Report

The Senior Internal Audit Manager presented paper G, which comprised an Internal Audit Progress Report which outlined progress on internal audit plan for 2012-13 and provided an update on the implementation of audit recommendations.

The revised internal audit plan 2012-13 would be presented to the Audit Committee in November 2012, further to the Board Assurance Framework being refreshed at the Trust Board development session on 1 October 2012.

In respect of the reviews undertaken in 2012-13, it was noted that:-

(a) the draft report on procurement review would be issued imminently;

(b) the terms of reference for the business continuity planning review had been drafted and work was expected to commence in September 2012;
 (c) the imaging waiting list review was an additional piece of work, requested by the Chief Operating Officer/Chief Nurse. The draft report would be issued following a closure meeting with relevant staff.

The Senior Internal Audit Manager advised that the difficulties in the process of following-up recommendations had been compounded by recent changes within the Finance team. She advised that an update on outstanding recommendations would be provided to the Audit Committee in November 2012. In respect of any overdue actions in relation to the recommendations, the Executive Lead responsible for the action be requested to attend the Audit Committee to provide an update and revised timeline for completion.

SIAM

SIAM/FA

Responding to a query from the Committee Chair in respect of the high number of outstanding recommendations, the Director of Finance and Procurement acknowledged that this was unacceptable and suggested that consideration be given to software solutions to manage a systematic process of follow-up. He also advised that there had been some changes in the Finance Team, a new Head of Procurement and a new Acute Care Divisional Finance Manager had also been appointed.

Resolved – that (A) the contents of paper G, Internal Audit progress report for 2012-13 be received and noted;

(B) the Senior Internal Audit Manager to provide an update on the outstanding internal audit recommendations at the Audit Committee on 13 November 2012, and

SIAM

(C) in respect of any overdue actions in relation to the Internal Audit recommendations, the Executive Lead responsible for the action be requested to attend the Audit Committee to provide an update and revised timeline for completion.

SIAM/FA

51/12/2 Report from the Trust's Internal Auditor

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

52/12 **ITEMS FROM EXTERNAL AUDIT**

52/12/1 External Audit Progress Report

Paper H detailed the External Audit progress report. The Trust's External Auditor noted an amendment to the report advising that the quality report 2011-12 would be issued in draft further to a debrief session with management colleagues. He made an addition advising that the deadline for the annual audit letter was 26 October 2012. External Auditors had commenced planning work for 2012-13 audits and were meeting with key officers at the Trust on a monthly basis to identify any significant issues that would contribute to the planning approach.

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

53/12 Report from the Director of Corporate and Legal Affairs

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

54/12 AUDIT COMMITTEE MEETING DATES 2013

Resolved – the 2013 Audit Committee dates (paper I refers) were agreed as follows:-

- Tuesday 19 February;
- Tuesday 16 April;
- Tuesday 28 May;
- Tuesday 10 September, and
- Tuesday 12 November.

55/12 ITEM FOR INFORMATION

55/12/1 Appointment of External Auditor

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

56/12 MINUTES FOR INFORMATION AND DISCUSSION

56/12/1 Governance and Risk Management Committee

Resolved – that the Minutes of the Governance and Risk Management Committee meetings held on 21 May 2012 (paper K refers), 25 June 2012 (paper K1 refers) and 23 July 2012 (paper K2 refers) be received and noted.

56/12/2 Finance and Performance Committee

Resolved – that the Minutes of the Finance and Performance Committee meeting held on 23 May 2012 (paper L refers), 27 June 2012 (paper L1 refers) and 25 July 2012 (paper L2 refers) be received and noted.

57/12 ANY OTHER BUSINESS

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

58/12 IDENTIFICATION OF KEY ISSUES THAT THE COMMITTEE WISHES TO DRAW TO THE ATTENTION OF THE TRUST BOARD

Resolved – that there were no items to be brought to the attention of the Trust Board.

59/12 DATE OF NEXT MEETING

Resolved – that (A) the next meeting of the Audit Committee be held on Tuesday, 13 November 2012 from 10:30am 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 10:00am, with representatives from Internal and External Audit to attend from 10:15am in the Committee Room, Victoria Building, Leicester Royal Infirmary.

The meeting closed at 12:31pm.