

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 NOVEMBER 2013

COMMITTEE: Audit Committee

CHAIRMAN: Ms K Jenkins, Non-Executive Director

DATE OF COMMITTEE MEETING: 12 November 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: 11 February 2014

**Ms K Jenkins
25 November 2013**

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST
MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY 12 NOVEMBER 2013 AT 10:30AM IN THE BOARD ROOM, VICTORIA BUILDING,
LEICESTER ROYAL INFIRMARY

Present:

Ms K Jenkins – Non-Executive Director (Chairman)
Mr I Sadd – Non-Executive Director

In Attendance:

Mr P Cleaver – Risk and Assurance Manager (for Minutes 71/13-72/13 inclusive)
Mrs H Majeed – Trust Administrator
Mr R Manton – Risk and Safety Manager (for Minutes 71/13-72/13 inclusive)
Mr A Seddon – Director of Finance and Business Services
Mr N Sone – Financial Controller
Mr S Ward – Director of Corporate and Legal Affairs

Ms J Clarke – Local Counter Fraud Specialist (East Midlands Internal Audit Services) (from Minute 66/13 – Minute 70/13/2 inclusive)

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

RESOLVED ITEMS

ACTION

66/13 PRIVATE DISCUSSIONS WITH BOTH SETS OF AUDITORS

In line with the guidance detailed within paper A, private discussions took place between the Chair and members of the Audit Committee and External and Internal Audit representatives ahead of the start of the formal meeting.

Resolved – that the position be noted.

67/13 WELCOME AND APOLOGIES

The Committee Chair welcomed Mr I Sadd, Non-Executive Director to his first meeting of the Audit Committee.

Apologies for absence were received from Ms R Overfield, Chief Nurse and Mr P Panchal, Non-Executive Director.

68/13 MINUTES

In respect of Minute 57/13 (Report on How the New Processes Outlined in the Risk Management Policy are operating 'Ward to Board'), the beginning of the third sentence to be replaced with 'the Committee Chair queried the reason for selecting an example of a Ward to Board that did not demonstrate the entire process'.

TA

Resolved – that subject to the above amendment, the Minutes of the meeting held on 10 September 2013 (papers B and B1 refer) be confirmed as a correct record.

TA

69/13 MATTERS ARISING FROM THE MINUTES

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

Minute 52/13/1 – the Director of Clinical Quality to submit a report for noting to the Audit Committee in February 2014 in respect of how patient involvement was being taken into account in clinical audits;

DCQ

Minute 53/13/2 (ii) – the Local Counter Fraud Specialist advised that an update/clarification from NHS Protect had been requested in respect of fraud trends and an update on this matter would be provided to the Audit Committee in February 2014;

LCFS

Minute 56/13 (i) – the following wording to be included in the ‘progress update’ column – the risk assessment relating to implementation of the Trust’s new Clinical Divisional structure had been reviewed by the Trust Board twice;

TA

Minute 58/13/2 – the Internal Audit Manager confirmed that the review of the Trust’s 2013-14 reference costs would be factored into the Internal Audit plan for 2014-15, and

Minute 59/13/1 (ii) – an update on mitigation of risks, pending implementation of the agreed actions in Internal Audit reports be an item on the Audit Committee agenda until further notice.

IA/TA

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

70/13 ITEMS FROM THE LOCAL COUNTER FRAUD SPECIALIST

70/13/1 Local Counter Fraud Specialist Progress Report

Paper D summarised the progress made towards the completion of the Trust’s 2013-14 counter fraud work plan. Ms J Clarke, Local Counter Fraud Specialist confirmed that there were sufficient days left in the work plan to take forward the outstanding areas of work.

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

70/13/2 Report from the Local Counter Fraud Specialist Progress Report

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

71/13 UHL RISK REPORT INCORPORATING THE BOARD ASSURANCE FRAMEWORK (BAF) FOR THE PERIOD 1 AUGUST 2013 – 30 SEPTEMBER 2013

Paper F provided the Audit Committee with an overview of significant risks impacting upon the Trust. There were currently 24 high risks and one extreme risk open on the UHL risk register with one new high risk opened during the reporting period. In the new iteration of the BAF, lead responsibility for risks 4, 5 and 6 would be transferring to the Director of Strategy who had recently taken up her post and the risk scores would be updated further to discussion with her.

Responding to a query from Mr I Sadd, Non-Executive Director in respect of how the Trust ensured that double-counting of risks did not occur, it was noted that the risk register was discussed by the Executive Team (ET) on a monthly basis and if risks related to each other, the ET would take a decision on whether it needed to have a separate entry or whether it could be referenced as a component of another risk. The risks were linked to the Trust’s strategic objectives and the risk report/BAF was reviewed prior to being presented to the Trust Board every month.

The Committee Chair queried whether there had been any interruptions to risk reporting following the restructure from Divisions to Clinical Management Groups – the Risk and Assurance Manager confirmed that currently no issues had emerged. The Corporate Risk Team would be meeting with the CMG teams to outline the expectations in relation to risk management and to discuss the levels of support available. Previously, the risk register entries were updated by the Divisional Quality and Safety Managers but this role would now be undertaken by the CMG Heads of Nursing. Responding to a query from the Committee Chair, the Risk and Assurance Manager agreed it would be useful for the Audit Committee to receive an update on suspended risks – i.e. risk entries which were not accompanied by a signed copy of the risk assessment form.

RAM

The Committee Chair noted a potential discrepancy in the risk score of risk 6 ‘Failure to achieve FT status’ highlighting that different risk scores for the same risk had been provided on page 14 of appendix 1 and page 19 of appendix 2 – it was noted that this might be a ‘typographical’ error but the Risk and Assurance Manager agreed to look into this.

RAM

In discussion on some risks where updated information was now available but had not been available at the time of the deadline for submission of Audit Committee papers, the Committee Chair requested that an update was either circulated the day before or on the day of the meeting.

RAM

The Director of Finance and Business Services highlighted that the issue of nurse vacancies was missing from the BAF. It was noted that nurse vacancies was scheduled to be discussed at the Executive Team meeting on the afternoon of 12 November 2013 and the BAF would be updated accordingly.

The Director of Finance and Business Services provided an example and queried whether the risks on the operational risk register actually reflected significant risks to the Trust or were, in fact, local risks that related to CMGs. In a wider discussion on this matter, it was suggested that a summary report of the operational risks with a score of 15 or above should be included within the cover report of the risk register so that readers could review and consider these. Further trend information on the movement of risk was also to be included in the new format of the BAF.

RAM

RAM

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

(B) the Risk and Assurance Manager be requested to implement the above actions in advance of the November 2013 Trust Board meeting.

RAM/TA

72/13

IMPLEMENTATION OF THE UHL RISK MANAGEMENT POLICY

Paper G provided assurance that the processes described in the UHL Risk Management policy were being implemented across the Trust. The Corporate Risk Team had already met with 4 Clinical Management Groups (CMGs) and were scheduled to meet with the remaining CMGs giving their teams the opportunity to raise any points of clarification required in relation to the policy.

The Committee Chair noted that there had been no elapsed risk reviews or elapsed action dates during the reporting period and queried whether sufficiently challenging timescales for resolution of risks were being set – in response, the Risk and Assurance Manager advised that actions were set at a local level and there were areas which required further development. He agreed to discuss this with the CMGs and report to the Audit Committee if satisfactory progress was not being made. He suggested that attendance by representatives of the CMGs at the Audit Committee would also help to strengthen the process.

The Committee Chair sought views on how the processes outlined in the policy were operating ‘Ward to Board’ – the Director of Corporate and Legal Affairs highlighted that

progress had been good but there were still developments to be made noting that this might partly be due to the move to a new management structure.

The Committee Chair requested an update to be provided on the actions being taken to resolve the poor attendance at Risk Awareness training sessions.

RAM

The Risk and Assurance Manager confirmed that discussions were being held with CMGs and agreed to ascertain who would be responsible/accountable for ensuring risks were reported and escalated, if required. Time-out sessions had already been arranged with some CMGs.

RAM

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

(B) the Risk and Assurance Manager be requested to:-

RAM

- provide an update to the Audit Committee in February 2014 in respect of the actions being taken to resolve the poor attendance at Risk Awareness training sessions, and
- confirm who would be responsible/accountable for ensuring risks were reported and escalated, if required at CMG level.

73/13 FINANCE – STRATEGIC AND OPERATIONAL ISSUES

73/13/1 Discretionary Procurement Actions

Paper H outlined the discretionary procurement actions for the period September-October 2013 in line with the Trust's Standing Orders. The Committee Chair queried the 'National/International Recruitment of Nurses – reference 13/A/0920' – the Director of Finance and Business Services confirmed that a list of agencies used by UHL were on a national framework and that, as this category of procurement service was in Schedule B, no OJEU type tender was required. In respect of agency rates, the Director of Finance and Business Services made members aware of discussions with neighbouring Trusts (based on established practice in the West Midlands) to seek to agree a consistent approach to agency pay rates. It would be beneficial for Trusts. It would be beneficial for Trusts in the East Midlands to have this arrangement in place but it was noted that it was not a quick process and depended on agreement from all Trusts.

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

73/13/2 Report from the Director of Finance and Business Services

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

73/13/3 Implementation of External Audit – Recommendations

The Financial Controller presented paper J, an update on progress against the recommendations raised in External Audit's 2012-13 ISA 260 report as at end of October 2013.

In respect of the recommendation relating to 'Off-Payroll Arrangements' – Members noted that the Director of Human Resources had been reporting on this matter to the Remuneration Committee and agreed that the Remuneration Committee should continue to receive regular updates. The Financial Controller agreed to include this update within his future reports.

FC

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

(B) the Financial Controller be requested to update paper J with the information provided above.

FC

73/13/4 Cash Management Actions

Paper K summarised the cash management actions being taken and also the methodology and assumptions used in the deferral of supplier payments, which was an area of concern raised by the Trust Board at its meeting on 31 October 2013. There were significant pressures on the Trust's cash balances and a full review of the capital programme for the month 7 position was being undertaken. The Committee Chair commented that the risk to achievement of the Trust's strategic objectives if the capital programme was not undertaken as forecasted should be considered and mitigated during the above review. The overriding factor that impacted on cash was the Trust's I&E position and improving this was key to securing longer term liquidity. This matter had been raised with the NHS Trust Development Authority by the Director of Finance and Business Services at their meeting on 11 November 2013.

The Financial Controller confirmed that payments to suppliers were only deferred when this was deemed to be low risk and the Trust prioritised payments to business critical suppliers.

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

73/13/5 2013-14 Financial Position

The Director of Finance and Business Services reported orally and expressed disappointment over the consistent adverse trend against plan highlighting that traction on recovery actions had not been demonstrated. The Committee Chair queried the reason for this issue noting that recovery plans had been in place for some time and were regularly updated. The Director of Finance and Business Services stated the absence of the strategic transitional support, shortfalls against the assumptions made regarding access to the 2% transformation funds and marginal rate deductions and readmission fines were some of the major reasons for the variance. The first round of CMG Performance Management meetings scheduled to be held in November 2013 would be chaired by the Chief Executive and would focus on the projected year-end position and CMGs would need to show the impact of recovery actions.

There had been a significant increase in bank and agency spend. Mr I Sadd, Non-Executive Director queried whether medical locum spend was being reviewed – in response, it was noted that work on 'medical productivity' had been undertaken and a review of Consultant contracts had indicated significant variability. A further review of this would be undertaken but had currently been delayed.

The revised target for CIP was £37.7m (previously £40.4m).

Resolved – that the verbal update be noted.

74/13 **ITEMS FROM INTERNAL AUDIT**

74/13/1 Internal Audit Progress Report

The Senior Internal Audit Manager presented paper L, a report outlining progress with the implementation of the Internal Audit plan for 2013-14.

In respect of the review of the Trust's self assessment against the Quality Governance Framework. Internal Auditors had discussed with Trust colleagues the most appropriate timing of this review and whether these audit days should instead be used to undertake a review of the Trust's mortality review processes in light of the forthcoming CQC inspection. The Senior Internal Audit Manager advised that a response was awaited noting that the review if undertaken would need to be completed before the end of December 2013.

In respect of the 'Cancer Targets' review – Internal Auditors advised that they had

been informed that there had been significant improvements in meeting the 62 day cancer target and following discussion with the Chief Executive, it was proposed that this review be replaced with a review of the Referral to Treatment target. This change would be reflected in the Internal Audit plan.

The Committee Chair queried the reason for the wording 'no progress update has been provided' to appear in a number of status update columns. The Senior Internal Audit Manager highlighted that this report had been pulled off from Internal Audit's web based system 'TrAction' and the view was that the Leads had not been using and updating the system appropriately. The Director of Corporate and Legal Affairs advised that this matter had also been discussed at previous Executive Performance Board meetings and the feedback from staff was that they were not able to access the system and that users had encountered technical difficulties. The Internal Audit Manager advised that she had discussed this matter with the Director of Corporate and Legal Affairs and it had been agreed that the Trust Administration office would now drive the process to ensure that the responses/updates were inputted on the system by the Lead Officers.

Mr I Sadd, Non-Executive Director drew members' attention to table 3 of appendix 2 – actions with revised implementation dates. He noted that the revised implementation date of 30 September 2014 for the actions agreed in respect of the 2011-12 bank and agency review and noted the need for immediate actions be put in place so that financial benefit could be obtained in the course of what remained of 2013-14. It was noted that an update on the Bank and Agency review was scheduled to be discussed during the course of the meeting (Minute 74/13/2 (c) below refers).

Resolved – that the contents of paper L, Internal Audit progress report for 2013-14 be received and noted.

74/13/2 Internal Audit Reviews

(a) Business Continuity Management Follow-up Review

Paper M detailed the 2013-14 Internal Audit review regarding business continuity and IT disaster recovery – follow-up report. The Committee Chair expressed concern at the actions still outstanding and requested that an update on this be provided to the Audit Committee in February 2014.

COO

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

(B) the Chief Operating Officer be requested to attend the Audit Committee meeting in February 2014 to provide an update on the actions in place to implement the recommendations arising from Internal Audit's 'business continuity' review.

COO

(b) Facilities Management Review

Paper N provided an update on Internal Audit's review of facilities management. Responding to a query in respect of key performance indicators (KPIs) and whether correct data was being looked at, the Internal Audit Manager advised that one of the recommendations was for UHL to agree the KPIs with NHS Horizons to monitor their performance. It was noted that the current KPIs were probably not the key areas and a review of this was needed. The expected level of validation that should be performed over the information provided by Interserve and the number of audits of performance each month should also be specified. As formal performance measures had not been in place, this recommendation had been rated 'high' risk. UHL would need to monitor whether there was sufficient and appropriate internal resource with capacity to oversee the contract delivery via NHS Horizons.

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

(c) Report from the Internal Audit Manager

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

75/13 ITEMS FROM EXTERNAL AUDIT

75/13/1 External Audit Progress Report

Paper O detailed the External Audit progress report. External Auditors advised that planning work for 2013-14 audits was underway and were meetings were being held with key officers at the Trust on a monthly basis to discuss emerging issues that would contribute to the planning approach. The draft External Audit plan 2013-14 focussed on the following areas for the financial statements audits – revenue recognition, creditors, provisions, treatment of new contract arrangements and cash management.

Mr I Sadd, Non-Executive Director noted the importance of the Trust Board's consideration of UHL as a 'going concern' and Mr A Bostock, Trust's External Auditor advised on how the External Auditors would approach its work on the 'Use of Resources' opinion.

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

76/13 MINUTES FOR INFORMATION AND DISCUSSION

76/13/1 Quality Assurance Committee

Resolved – that the Minutes of the Quality Assurance Committee meetings held on 28 August 2013 (paper P refers) and 25 September 2013 (paper P1 refers) be received and noted.

76/13/2 Finance and Performance Committee

Resolved – that the Minutes of the Finance and Performance Committee meetings held on 28 August 2013 (paper Q refers) and 25 September 2013 (paper Q1 refers) be received and noted.

77/13 ANY OTHER BUSINESS

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

78/13 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:-

- confidential Minute 74/13/2 (c) refers – Report by the Internal Audit Manager.

Chair

79/13 DATE OF NEXT MEETING

Resolved – that (A) the next meeting of the Audit Committee be held on Tuesday, 11 February 2014 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 Chair 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 1:00pm.

Hina Majeed, **Trust Administrator**

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

Name	Possible	Actual	% attendance
K Jenkins (Chair)	4	4	100%
R Kilner	3	2	66%
I Reid	2	2	100%
P Panchal	2	1	50%
I Sadd	1	1	100%

Attendees

Name	Possible	Actual	% attendance
S Hinchliffe	1	1	100%
A Seddon	4	4	100%
S Ward	4	4	100%
R Overfield	2	1	50%