

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 5 October 2017

COMMITTEE: Audit Committee

CHAIRMAN: Richard Moore, Non-Executive Director

DATE OF COMMITTEE MEETING: 7 September 2017

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:

- Minute 67/17/2 – Internal Audit Review of Consultant Job Planning, and
- Minute 69/17/2 – Update on the Overseas Visitor Hospital Charging Regulations.

DATE OF NEXT COMMITTEE MEETING: 2 November 2017

**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 THURSDAY 7 SEPTEMBER 2017 AT 2.30PM IN THE C J BOND ROOM, CLINICAL EDUCATION CENTRE, LEICESTER ROYAL INFIRMARY

Present:

Mr R Moore – Non-Executive Director (Chair)
Colonel (Retired) I Crowe – Non-Executive Director
Mr A Johnson – Non-Executive Director
Mr B Patel – Non-Executive Director
Mr M Traynor – Non-Executive Director

In Attendance:

Mr C Benham – Director of Operational Finance
Miss M Durbridge – Director of Safety and Risk (for Minute 70/17/1)
Mr R Manton – Risk and Assurance Manager (for Minute 70/17/1)
Mrs K Rayns – Trust Administrator
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 (up to and including Minute 39/17/1)

Ms E Mayne – Manager, Grant Thornton (the Trust's External Auditor) (up to and including Minute 73/17)

Ms A Breadon – Head of Internal Audit, PwC (the Trust's Internal Auditor) (up to and including Minute 73/17)

Ms C Wood – Senior Manager, PwC (the Trust's Internal Auditor) (up to and including Minute 73/17)

ACTION

RESOLVED ITEMS

63/17 APOLOGIES

Resolved – that no apologies for absence were received.

64/17 MINUTES

Resolved – that the Minutes of the meeting held on 6 July 2017 (papers A1 and A2) be confirmed as correct records.

65/17 MATTERS ARISING PROGRESS REPORT

The Audit Committee received and noted paper B, advising on progress of the actions and matters arising from previous Audit Committee meetings. Particular discussion took place regarding progress of the following entries:-

(a) Item 19 – Local Counter Fraud Annual Report 2016-17 (Minute 37/17/1c of 26 May 2017 refers) – an update on the development of the Fraud and Corruption Risk Assessment would be provided during the Counter Fraud Progress Report which featured later in the agenda (Minute 66/17/1 below refers);

(b) Item 26 – National Counter Fraud Investigation (Minute 46/17/1b of 26 May 2017 refers) – further discussion on this confidential item of business was scheduled to be held at the end of today's meeting agenda (Minute 73/17/1 below refers);

(c) Item 27 – Cyber Security (Minute 38/17/2 of 2 March 2017 refers) – a further

update on UHL's Cyber Security arrangements would be presented to the November 2017 Audit Committee, once the findings of the current PwC review were available. Internal Audit representatives clarified that this review was a stand-alone review (outside of the Internal Audit work programme for 2017-18), and

(d) Item 32 – Audit Committee Self-Assessment (Minute 25/17/4 of 2 March 2017 refers) – the results of the self-assessment exercise had been rescheduled for the November 2017 Audit Committee with the agreement of the Committee Chair.

DCLA

Resolved – that the matters arising report and the associated actions be received and noted.

66/17 ITEMS FROM THE LOCAL COUNTER FRAUD SPECIALIST (LCFS)

66/17/1 Local Counter Fraud Progress Report

Mr N Mohan, Local Counter Fraud Specialist introduced paper C, briefing the Audit Committee on progress of counter fraud activity 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 majority of feedback on the draft Fraud Risk Assessment had now been received and the updated version would be circulated to members of the Fraud Risk Group for initial challenge, prior to submission to the November 2017 Audit Committee meeting. The Committee Chair sought and received additional context on the way that the finalised Fraud Risk Assessment would be used internally, including the arrangements for linking this document with the Trust's overall Risk Register and utilising the existing embedded governance process for monitoring progress of mitigating actions.

LCFS

Further to Minute 37/17/2 of 2 March 2017, particular discussion took place regarding the incidence of fraud against UHL's suppliers, where fraudsters had allegedly placed orders in the Trust's name, and then amended the delivery address to non-UHL premises. Whilst such fraud did not impact directly upon the Trust and there was no associated liability, there was a reputational issue involved and appropriate guidance on this issue was being provided to existing and prospective suppliers. To date, there had been no financial or operational impact upon the Trust, but the situation continued to be monitored accordingly.

Resolved – that (A) the Local Counter Fraud Progress Report be received and noted as paper C, and

(B) the Local Counter Fraud Specialist be requested to share the draft Fraud Risk Assessment with members of the Fraud Risk Group for initial challenge and then present the finalised version to the Audit Committee in November 2017.

LCFS

67/17 ITEMS FROM INTERNAL AUDIT

67/17/1 Internal Audit Progress Report

Internal Audit representatives introduced paper D, providing an update on progress with the 2017-18 Internal Audit Plan. The Audit Committee noted that the final report had been issued for the Consultant Job Planning Review (Minute 67/17/2 below refers). Fieldwork had commenced on the Cost Improvement Programme and Data Quality Reviews and scoping meetings had been held in respect of the forthcoming reviews of Governance and Risk Management, Financial Systems, Cash Management and an additional (externally funded) review of NIHR Clinical Research.

The Payroll Contract review had been rescheduled for quarter 4, in view of the recent change in providers. In discussion on the report, Audit Committee members:-

- (a) noted delays relating to the reviews of (i) Dynamic Priority Scores and (ii) Induction of Temporary Staff. In respect of the latter review, the Senior Manager, PwC agreed to liaise with the Deputy Director of Human Resources and Mr E Thurlow, Core Training Lead, to agree a timescale for the review (once the electronic 'Green Book' process had been fully implemented); **IA**
- (b) sought Internal Audit's views on the speed of response to the recommendations arising from each review, noting in response that engagement was good (as evidenced by the number of queries raised), although a significant number of actions due for completion at the end of July 2017 had now become overdue in August 2017. The Director of Corporate and Legal Affairs also provided his view that the process was robust, but there was more that the Lead Officers could do to ensure that any evidence they submitted onto the TrAction system was (i) timely and (ii) that it met the criteria required by Internal Audit to achieve sign-off. The Chief Financial Officer also highlighted a comment raised by the Chief Information Officer at a recent Executive Performance Board meeting concerning a lack of clarity surrounding some of the evidence that was required to close down the IM&T related recommendations;
- (c) queried the arrangements for establishing the terms of reference for the review of the alternative solution to the Electronic Patient Record (EPR plan B). Members agreed that it would be crucial to include appropriate clinical input when defining the scope and terms of reference to ensure that the Review delivered the outputs required. The Senior Manager, PwC agreed to arrange a scoping meeting with Colonel (Retired) I Crowe, Non-Executive Director, the Medical Director and the Chief Information Officer. It was also agreed that an external element would be factored into the review, looking at the electronic systems implemented by other Trusts in the absence of an approved EPR system; **IA**
- (d) noted that Colonel (Retired) I Crowe, Non-Executive Director agreed to share a recent Quality Assurance Committee report on waiting list management with Internal Audit. This report had highlighted some weaknesses in the patient administration processes which were only likely to be fully resolved with the replacement of the existing Patient Administration System (PAS), and **IC, NED**
- (e) the Chief Financial Officer commented on progress with the Internal Audit Plan more generally, noting delays with some reviews and the impact of staff annual leave during the summer months, and offering his support (if required) in progressing any issues. In response, Internal Audit representatives expressed a degree of confidence that the Internal Audit Plan would be delivered as planned, advising that there were no specific areas where additional support was currently required.

Resolved – that (A) the Internal Audit Progress Report be received and noted as paper D;

(B) Internal Audit representatives be requested to:-

- (1) liaise with the Deputy Director of Human Resources and the Core Training Lead to establish a timescale for the Review of Induction of Temporary Staff; **IA****
- (2) arrange a scoping meeting for the EPR Plan B Review to include Colonel (Retired) I Crowe, Non-Executive Director, the Chief Information Officer and the Medical Director, and **IA****

(C) Colonel (Retired) I Crowe, Non-Executive Director be requested to share a copy of the recent QAC report on waiting list management with Internal Audit (outside the meeting). **IC, NED**

Internal Audit Representatives introduced paper E, providing the Internal Audit Report on the Review of Consultant Job Planning. Members noted that this was the first time that Internal Audit had reviewed Consultant Job Planning and that the scope of the report had mainly focused upon the process and not the quality of the resultant job plans. Good progress was reported in the development of the Consultant job planning process, particularly since the appointment of the Medical Job Planning Coordinator two years previously. At the time of the fieldwork, 88% of job plans were in place, but this had now risen to 95%.

The Medical Director attended the meeting for this item in the absence of the Lead Officer, Dr C Free, Deputy Medical Director (who was not available to attend). He described the context surrounding electronic job planning, advising that UHL was on a journey from a good quality paper-based system into a fully electronic system and that UHL's associated Carter data currently benchmarked well compared to other Trusts. NHS Improvement had recently shared one of UHL's template documents to illustrate good practice. The main focus for 2017-18 had been to establish all job plans onto the electronic system as an agreed position. However, many Consultants worked over and above the 12 Programmed Activities (PAs) set out in their plans and the remainder of their workload was zero rated, as it was considered unaffordable to pay them for the actual activity undertaken. For 2018-19, the aim would be to increase the focus on setting individual and team objectives, although the Trust's Strategic Objectives were unlikely to readily translate for this purpose.

The Audit Committee considered the following key findings of the Review:-

- (1) Objective Setting (medium risk);
- (2) Planning Process (low risk);
- (3) Inconsistencies Between Job Plans and Trust Policy (low risk);
- (4) Monitoring of Performance Against Job Plans (medium risk), and
- (5) Training (advisory).

In respect of item (4) above, the Medical Director advised that Consultant job plans currently specified where each Consultant was expected to be and when, but they did not capture their productivity or take into account the multi-factorial issues which affected a Clinician's working day. He described a typical day of working clinically in his own role and the inter-dependencies upon factors outside of his control (such as patient pre-operative preparations, pharmacy supplies, and IM&T issues). In addition, some Consultants undertook more complex patient cases than their colleagues which might make them appear to be less productive than their colleagues in the absence of any link between the job plan, clinical coding, and patient outcomes. He also confirmed that consideration would be given to implementing other job planning software (such as Allocate or Medi Rota) which could be integrated with ESR and E-Rostering and an appropriate options appraisal would be undertaken. In terms of implementation plans, his preference would be to roll-out such a system with the junior doctor workforce in the first instance, then to bank staff and then to the Consultant workforce.

The Committee Chair commended the helpful nature of the feedback provided by the Medical Director and queried whether there were any aspects of Consultant job planning which needed more focus. In response, the Medical Director summarised the compounding effects of multiple delays and process failures and the reliance upon other services in order for each Consultant to adhere to the timetable set out in their job plan.

The Chief Financial Officer noted that it was crucial for the Medical Director and his team to 'own' the report and sign-off the agreed actions. He queried whether the

productivity implications were appropriate for inclusion within the report as they formed a separate part of the efficiency agenda and the Model Hospital workstream. The Chief Financial Officer also sought clarity regarding the June 2018 target completion date for the actions relating to finding (4) above, noting in response that the new policy and process for monitoring performance against job plans were aimed to be in place during the planning stages for 2018-19 and these job plans were due to be signed-off by 1 April 2018.

Following this discussion, Internal Audit representatives agreed to re-consider the actions arising from this review with the Medical Director and his team to ensure that the recommended actions were all appropriate and achievable within the timescales indicated. Members noted that Dr C Free, Deputy Medical Director would be leaving the Trust at the end of September 2017 and that the new Lead Officer would be Mr J Jameson, Deputy Medical Director.

IA

Resolved – that (A) the Internal Audit Review of Consultant Job Planning be received and noted as paper E, and

(B) Internal Audit be requested to re-consider the findings of the above Review relating to monitoring of performance with the Medical Director, to ensure that the recommended actions were all appropriate and achievable within the timescales indicated.

IA

68/17 ITEMS FROM EXTERNAL AUDIT

68/17/1 External Audit Progress Report

Ms E Mayne, Manager, Grant Thornton briefed the Committee on the initial meetings held with Executive Directors and the ongoing arrangements for reviewing relevant UHL Trust Board reports. A programme of site visits was being developed in order to undertake early testing of a number of themes using a substantive approach (eg a 9 month audit of expenditure and fixed asset work). Further visits would then be planned in late February or early March in order to identify any late issues ahead of the final year-end audit process. The programme of visits was expected to be finalised in October 2017 and written reports would then be provided to the Audit Committee using Grant Thornton's standard reporting templates.

The Chief Financial Officer advised that he and the Chief Executive had already met with Mr M Stocks, External Audit Partner and Ms E Mayne, External Audit Manager regarding the arrangements for the Subsidiary Company and he provided assurance that External Audit would be kept informed of any discussions relating to fixed assets over the next few months.

Resolved – that the verbal information from the External Auditors be received and noted.

69/17 FINANCE – STRATEGIC AND OPERATIONAL ISSUES

69/17/1 Overseas Visitors – Update on Regulations

Paper F briefed the Audit Committee on the expected implications of the new Overseas Visitors Hospital Charging Regulations which came into effect on 21 August 2017. Section 3.1 of paper F highlighted the key regulatory changes and section 3.4 detailed the main practical implications. A detailed report was being prepared for consideration at the 26 September 2017 Executive Performance Board (in order to secure appropriate buy-in from the Clinical Management Groups) and it was hoped that further detailed guidance would be issued by the Department of Health in time to inform that report.

CFO

Discussion took place regarding the importance of having robust systems in place to identify overseas visitors to whom charges would apply, timely completion of documentation, and the need for clinicians to follow due process in respect of their decisions to treat overseas patients and be able to justify such treatments to Commissioners. Mr B Patel, Non-Executive Director queried whether there would be any implications for UHL under the Consumer Act and members noted in response, that similar arrangements would apply as currently applied to self-funded and private health insurance patients being treated on NHS premises. A further report on the implementation of the Regulations was requested for the November 2017 Audit Committee.

CFO

Resolved – that (A) the Update on Overseas Visitors Hospital Charging Regulations be received and noted as paper F,

(B) a detailed report on the practical implications of the above Regulations be presented to the 26 September 2017 Executive Performance Board, and

CFO

(c) a further report on the implementation of the Regulations be provided to the November 2017 Audit Committee.

CFO

69/17/2

Discretionary Procurement Actions

Paper G provided a summary of the 13 occasions when it had been necessary to waive the Trust's regular procurement processes during the period July 2017 to August 2017. Appendix 1 set out the details of each case of need and provided explanations for the respective approvals. The Director of Operational Finance particularly highlighted the 2 annual charges in relation to off-site car parking provision at the Leicester Royal Infirmary.

Resolved – that the summary of discretionary procurement actions be received and noted as paper G.

70/17

GOVERNANCE

70/17/1

Integrated Risk and Assurance Report (incorporating the 2017-18 Board Assurance Framework and Organisational Risk Register)

The Director of Safety and Risk and the Risk and Assurance Manager attended the meeting to introduce paper H, providing the Integrated Risk and Assurance Report as at the end of July 2017. The Board Assurance Framework (BAF) dashboard was provided at appendix 1, a thematic analysis of the BAF risks was provided at appendix 2 and a dashboard of the 49 organisational risks scoring 15 and above was provided at appendix 3. Each entry on the BAF was regularly reviewed by the Executive owner and presented to the relevant Executive Board on a regular basis in order to challenge the content and endorse the final version. Assurance was provided that the BAF reflected all the key risks surrounding electronic systems, demand and capacity, financial performance and workforce issues. Internal Audit were due to undertake a review of UHL's Governance and Risk Management arrangements during quarter 3.

The Committee Chair noted that the BAF had been reviewed at the Trust Board meeting earlier on 7 September 2017, and he did not intend to consider this in any depth. Instead, a more general discussion took place regarding the current assurance ratings and members queried whether these were indicative of an overly-optimistic view as there were currently no ratings scoring 20 and above. The Director of Safety and Risk confirmed that the assurance ratings were dynamic and would change according to progress of the mitigating actions. Members highlighted the example of Emergency Department performance which had previously been rated above 20, but had now been disaggregated under the Organisation of Care

workstream (each risk scoring 16 and 20 respectively).

In response to the discussion above, the Director of Safety and Risk and the Risk and Assurance Manager were requested to re-examine the BAF to ensure that all relevant issues and risks were correctly articulated and that the assurance ratings accurately reflected the current position.

DSR/
RAM

In further discussion, Audit Committee members commented upon the helpful inclusion of the thematic analysis relating to the 49 entries on the organisational risk register scoring 15 or above, noting that of the 49 entries, only 1 risk had exceeded its review date (risk 2985 relating to delays in supplying, delivering and administering parental nutrition). Mr A Johnson, Non-Executive Director queried the order in which entries were listed in appendix 3, noting in response that the highest risks appeared first (based on the order of severity), although some of these had since reduced from their original ratings.

Resolved – that (A) the Integrated Risk Management report (paper H) be received and noted, and

(B) the Director of Safety and Risk and the Risk and Assurance Manager be requested to re-examine the BAF to ensure that all relevant issues and risks were correctly articulated and the assurance ratings accurately reflected the current position.

DSR/
RAM

70/17/2

Sustainability and Transformation Partnerships (STP) Governance Arrangements

Further to Minute 57/17/4 of 6 July 2017, the Director of Corporate and Legal Affairs reported verbally, briefing the Committee on the System Leadership Team's review of the proposed Memorandum of Understanding (MoU) and ongoing discussions in relation to Accountable Care Systems and the potential associated impact upon the SLT governance arrangements. Minutes of the SLT meetings continued to be presented to the relevant LLR Trust Board meetings for information. Members noted that UHL's Trust Board would be providing feedback on the MoU to Mr T Sanders, System Leader. The updated MoU would then be re-presented to each LLR Trust Board for sign-off.

Resolved – that the verbal information on STP Governance Arrangements be received and noted.

70/17/3

Consolidated List of Outstanding and In-Progress Audit Recommendations

The Director of Corporate and Legal Affairs introduced paper I, providing the RAG-rated tracker of all outstanding and in-progress recommendations arising from Internal Audit, External Audit and Local Counter Fraud Reviews. A detailed discussion had taken place previously regarding the outstanding Internal Audit recommendations during the Internal Audit Progress Report (Minute 67/17/1 above refers) and it was not intended to review the report in any depth at this point in the meeting. The Executive Performance Board would be reviewing the next iteration of the report on 26 September 2017 and clarity had been provided that the relevant Risk Owners would be invited to attend an Audit Committee meeting to explain the reasons for any significant delays in addressing their overdue recommendations.

The Audit Committee Chair noted that the Chief Information Officer had raised concerns about the lack of clarity surrounding the evidence required to resolve some of the IM&T related recommendations. As these recommendations had been overdue since 31 March 2017, the Director of Corporate and Legal Affairs was requested to arrange a discussion between Internal Audit and the Chief Information Officer to take forward the outstanding issues. Internal Audit representatives had not been made aware of this issue previously and they suggested that it would be helpful

DCLA

if the Risk Owners could highlight such concerns to them directly where appropriate.

Resolved – that (A) the Consolidated List of Outstanding and In-Progress Audit Recommendations be received and noted as paper I, and

(B) the Director of Corporate and Legal Affairs be requested to arrange a discussion between Internal Audit and the Chief Information Officer to take forward the outstanding issues relating to IM&T-related recommendations.

DCLA

71/17 **ASSURANCE GAINED FROM THE FOLLOWING COMMITTEES ON KEY RISKS/ISSUES OF THE TRUST**

71/17/1 Quality Assurance Committee (QAC)

The QAC Chair introduced the Minutes of the QAC meetings held on 29 June 2017 and 27 July 2017. He drew members' attention to Minute 32/17/3 of 29 June 2017 which related to the KPMG review of Waiting List Management and queried what the next steps would be with this review. The Director of Corporate and Legal Affairs undertook to discuss this point with the Director of Performance and Information and provide feedback to the QAC Chair accordingly.

DCLA

Resolved – that (A) the Minutes of the Quality Assurance Committee meetings held on 29 June 2017 and 27 July 2017 be received and noted as paper J, and

(B) the Director of Corporate and Legal Affairs be requested to discuss the next steps in relation to the KPMG review of Waiting List Management with the Director of Performance and Improvement and provide feedback to the QAC Chair (outside the meeting).

DCLA

71/17/2 Integrated Finance, Performance and Investment Committee (IFPIC)

The IFPIC Chair introduced the Minutes of the IFPIC meetings held on 29 June 2017 and 27 July 2017. He provided assurance that the Committee was keeping the Trust's cash position under close review.

Resolved – that the Minutes of the Integrated Finance, Performance and Investment Committee meetings held on 29 June 2017 and 27 July 2017 be received and noted as paper K.

71/17/3 Charitable Funds Committee (CFC)

The CFC Chair introduced the Minutes of the CFC meeting held on 3 August 2017, advising that there were no particular issues for the Audit Committee to note.

Resolved – that the Minutes of the Charitable Funds Committee meeting held on 3 August 2017 be received and noted as paper L.

72/17 **ANY OTHER BUSINESS**

72/17/1 General Data Protection Regulations

Internal Audit representatives highlighted the potential implications of the above Regulations which would come into force in May 2018. It was suggested that a review of UHL's readiness for implementation be included within quarter 4 of the Internal Audit Plan. Mr B Patel, Non-Executive Director also noted that the Regulations would have specific implications for the Leicester Hospitals Charity.

CFO

Resolved – that (A) the verbal information on the General Data Protection Regulations be noted, and

(B) consideration to be given to including an Internal Audit review on UHL's readiness for the GDP Regulations within quarter 4 of the 2017-18 Internal Audit Plan.

CFO

73/17 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:-

AC Chair

- Minute 67/17/2 – Internal Audit Review of Consultant Job Planning, and
- Minute 69/17/2 – Update on the Overseas Visitor Hospital Charging Regulations.

74/17 CONFIDENTIAL ITEMS OF BUSINESS

74/17/1 Report by the Chief Financial Officer

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

75/17 DATE OF NEXT MEETING

Resolved – that the next meeting be held at 2pm on Thursday 2 November 2017 in the Seminar Rooms 2 & 3, Clinical Education Centre, Glenfield Hospital.

The meeting closed at 4.22pm

Kate Rayns
Corporate and Committee Services Officer

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

Name	Possible	Actual	% attendance
R Moore (Chair)	3	2	67%
S Crawshaw (up to 16.6.17)	1	0	0%
I Crowe	3	3	100%
A Johnson	3	3	100%
B Patel	3	3	100%
M Traynor	3	3	100%

Attendees

Name	Possible	Actual	% attendance
N Sone	3	3	100%
S Ward	3	3	100%
P Traynor	3	3	100%