

# South Tees Hospitals

NHS Foundation Trust

<b>Meeting / Committee</b>	Board of Directors	<b>Meeting Date</b>	31 March 2015
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<b>This paper is for</b>	Action/Decision	Assurance	Information X
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<b>Title</b>	Minutes of an Audit Committee meeting held on 27 November 2014
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<b>Purpose</b>	The purpose of this report is to inform Board members of the debate held at a recent audit committee.
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<b>Summary</b>	<ul style="list-style-type: none"> <li>• Internal Audit work</li> <li>• External Audit work</li> <li>• Local Counter Fraud issues</li> </ul>
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<b>Prepared by</b>	David Kirby Sally McMaster	<b>Presented by</b>	David Kirby
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<b>Recommendation</b>	The Board of Directors is asked to note the attached minutes, which were approved by the audit committee on 18 March 2015.
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<b>Implications</b>	Legal X	Financial X	Safety & Quality	Strategic	Risk & Assurance X
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**MINUTES OF THE AUDIT COMMITTEE MEETING  
HELD ON THURSDAY 27 NOVEMBER 2014  
AT 9:30 AM  
IN THE BOARD ROOM,  
THE JAMES COOK UNIVERSITY HOSPITAL**

**PRESENT**

Mr D Kirby	- Non-executive director (committee chair)
Mrs A Hullick	- Non-executive director
Mr H Lang	- Non-executive director
Mr J Smith	- Non-executive director

**IN ATTENDANCE**

Mr S Fallowfield,	- Assistant director of audit – Audit North
Mrs M Hewitt-Smith	- Deputy director of finance
Ms G Hunt	- Deputy director of nursing ( <i>part of meeting</i> )
Miss R Holt	- Director of nursing & quality assurance ( <i>part of meeting</i> )
Ms R James	- Deputy director quality assurance
Mr C Newton	- Director of finance ( <i>part of meeting</i> )
Mr B Simpson	- Financial services manager ( <i>part of meeting</i> )
Mr G Wilson	- Partner - PwC
Mrs S McMaster	- Senior administration officer

**MEETING OBSERVED BY DELOITTES**

**1 APOLOGIES FOR ABSENCE**

Mrs C Parnell, Director of communication & engagement

**2 MINUTES OF THE MEETING HELD ON 28 AUGUST 2014**

**Decision 27Nov14 No01**

- The minutes were agreed and accepted as a true and correct record.

**3 MATTERS ARISING AND ACTION PLAN**

**3.1 Matters arising from 28 August meeting, not included on this agenda**

- There were no matters arising.

**Decision 27Nov14 No02**

- Noted

### 3.2 **Action Plan**

The action plan would be updated to reflect decisions taken at the meeting.

#### **Decision 27Nov14 No03**

- Noted

##### **a Quality Report 2013/14 – final findings**

Mr Wilson presented this report, which had been prepared to provide the final findings and recommendations regarding the Trust Quality Report.

The auditors had provided an unqualified limited assurance report in respect of the content of the Quality Report and the mandated performance indicators.

One control recommendation was raised regarding the mandated indicator 'Emergency re-admissions within 28 days of discharge from hospital'.

One recommendation was raised regarding the content of the Quality Report, to ensure the requirements of the FT ARM are incorporated in full.

Testing of the local indicator 'Number of formal complaints' had identified no issues, subject to a limitation of scope regarding the completeness of the indicator.

The Audit Committee were recommended to receive the quality report findings.

#### **Decision 27Nov14 No04**

- The Audit Committee received the quality report findings.

## 4 **AUDIT COMMITTEE BUSINESS PLAN**

The audit committee business plan would be updated to reflect discussions and actions completed at the meeting.

#### **Decision 27Nov14 No05**

- Noted

##### **4.1 Review systems of reporting actual and forecast financial information to the Board**

This item was covered under item 6.1 – Internal Audit Progress Report.

#### **Decision 27Nov14 No06**

- Noted

#### 4.2 **Review risks and controls around financial management**

This item was covered under item 6.1 – Internal Audit Progress Report.

#### **Decision 27Nov14 No07**

- Noted

#### 4.3 **Ensuring co-ordination between the internal and external auditors to optimise audit resources**

This report had been prepared to provide an update on the protocol for liaison between internal and external auditors.

The protocol for liaison between internal and external auditors had been agreed in 2012/13 and it was confirmed that there had been no change in the protocol.

Mr Fallowfield and Mr Wilson confirmed that working relationships continued to be good between their two organisations.

The Audit Committee were asked to note the current status regarding the protocol document.

#### **Decision 27Nov14 No06**

- The Audit Committee noted the current status regarding the protocol document.

#### 4.4 **Review external audit plan**

Mr Wilson presented this report to outline the external audit plan for the year ending 31 March 2015.

The audit plan provided analysis of the auditors' assessment of significant audit risks, the proposed audit strategy, audit and reporting timetable and updates on recent developments in the sector.

The Audit Committee were requested to note the audit plan.

#### **Decision 27Nov14 No07**

- Noted
- The committee agreed the misstatement threshold of £250,000, for 'clearly trivial' misstatements. **Action Mr G Wilson**

#### **Decision 27Nov14 No08**

- The chairman asked that the Trust whistleblowing policy be checked to ensure that it includes the external auditor as a prescribed person to whom a whistleblower can make a potential disclosure. **Action Mr C Harrison**

#### 4.5 **Review the system and process for staffing levels**

This paper detailed the systems and processes within South Tees to determine safe staffing levels in line with national expectations.

Miss Holt's paper provided the Committee with:

- The national context
- South Tees compliance with national guidance
- Description of tools used to determine safe levels
- Developments in areas other than adult inpatient

Miss Holt and Mrs Hunt confirmed that dashboards are reviewed with the clinical centres on a monthly basis.

The Committee was asked to consider the systems and process within the organisation to be assured that safe staffing levels were in place and that processes were available to react and respond to unplanned staff shortages.

As part of a wider discussion regarding safety on wards, Mr Fallowfield informed the committee that Audit North were reviewing cleaning contracts with Carillion managers. Responses had been mixed in relation to unsatisfactory cleanliness on wards. The Committee noted that whilst contract management was being addressed in this instance, that given the move towards greater outsourcing, the Board should consider the implications of contract management provision on a wider basis.

Mrs Hullick enquired as to the effectiveness of the hand hygiene audit. Mrs Hunt stated results had been less satisfactory than expected, but confirmed that the issue was being addressed.

#### **Decision 27Nov14 No09**

- Noted
- Board to be updated regarding contract management. **Action Mr D Kirby**

#### 4.6 **Review the system and process for Monitor declaration Audit Committee Terms of Reference (ToR) 13.2.2**

Mr Newton explained that the above Audit Committee Business Plan action had been agreed following the comprehensive review of the committee's ToR and actions earlier in the year. The source of the action was derived from the Monitor Risk Assessment Framework. The purpose of this report was to review the system and process for Monitor declarations in accordance with the Committee's ToR.

The Trust was required to make a twelve month forward Continuity of Service Risk Rating (CoSRR) declaration to Monitor every three months.

In January 2013 the Audit Committee recommended to the Board that such declarations should be on the basis of a written report giving the rationale upon which the Board could make the declaration.

In October 2013 the Board made a declaration of CoSRR 3 which had to be subsequently revised to a CoSRR 1. Following the revision of this declaration and prior to the requirement for the Trust to undertake a governance review, the Audit Committee Chair initiated a review by PwC of the circumstances of the October declaration. At the time of writing this report the PwC review had been completed, a copy passed to Monitor and the Board had considered the review with a view to formulating an action plan. This latter action was currently underway.

The Audit Committee were recommended to await the outcome of the above reviews and consider the resultant action plans with a view as to how these affect the system and process for Monitor declarations. Arising from this the Audit Committee was recommended to amend its Business Plan actions if necessary and seek any assurances that it considered were required.

#### **Decision 27Nov14 No010**

- The Audit Committee agreed to await the outcome of the above reviews and consider the resultant action plans.

#### **Decision 27Nov14 No011**

- The Audit Committee agreed to amend its Business Plan actions if necessary and seek any assurances that it considered were required.

#### **4.7 Review the system and process for assessing and identifying risk to the financial sustainability of services**

The Chairman explained that the purpose of this Report was to review the system and process for assessing risk to the financial sustainability of services.

NHS foundation trusts were required to obtain a licence from Monitor stipulating specific conditions that they must meet in order to operate. Key amongst these are financial sustainability and governance requirements. The aim of a Monitor assessment under the Risk Assessment Framework, introduced from 1 April 2013, was to show when there is: 'a significant risk to the financial sustainability of a provider of key NHS services which endangers the continuity of those services; and/or poor governance at an NHS foundation trust.' These are assessed separately using new types of risk categories. On behalf of the Board the Audit Committee had determined it wishes to seek assurance as to the robustness of the evidence to demonstrate financial sustainability and sound governance. In the case of governance this was dealt with separately on the agenda.

Mr Kirby confirmed that reviews of the committee structure were currently taking place. In his report he stated that to operate a financially sustainable business it was necessary to:

- develop clear long term goals that outline where the business needs to stand operationally and financially in the future.
- develop and maintain strong stakeholder relationships
- diversify income streams
- build financial reserves forward assess and manage risks to the organisation
- strategically manage and reduce the organisation cost base in line with

achieving necessary service standards  
Mr Kirby stressed that the Audit Committee's view of this should be sent to the relevant groups via the Board.

That the Audit Committee were recommended to consider the implications of this report and any such action it wished to recommend.

#### **Decision 27Nov14 No012**

- Board of Directors to be informed of the Audit Committee view regarding financial sustainability. **Action Mr D Kirby**

#### **Decision 27Nov14 No013**

- The Audit Committee agreed to await the outcome of the above reviews and consider the resultant action plans.

#### **4.8 Review assurance from clinical audit function**

Ms James presented this report to inform the committee of the processes in place for clinical audit and how these provide assurance.

The NHS Audit Committee handbook was used as a framework for this paper. The handbook outlines the following 5 points that would provide the Board with assurance on how Clinical Audit is used in the organisation:-

- How the programme of clinical audit work is decided upon
- Whether the programme is at an appropriate level and reflects the organisation's strategic objectives
- The rigour of the processes for conducting clinical audits
- Whether all the clinical audits are reported, in what form and to whom
- How matters arising are dealt with and followed up

This paper sought to explain the current processes and committees that were involved and how assurance was provided for each of the 5 points.

The Audit Committee were requested to receive the report and note that the organisation had robust process in place for developing the annual plan that considered organisational priorities along with national and local requirements. There was a clear policy for the registration and conduct of clinical audit projects and how these should be reported and followed up.

There were two committees with clear responsibilities for Clinical Audit that had annual reviews to ensure that their duties were fulfilled.

Committee members raised the involvement of patients in the clinical audit process. Ms James agreed to take this away for further consideration and update the committee at a later date.

#### **Decision 27Nov14 No014**

- The Audit Committee received the report and noted that the organisation had robust process in place for developing the annual plan

#### **Decision 27Nov14 No015**

- Ms James agreed to consider the involvement of patients in the clinical audit

4.9 process and update the committee at a later date. **Action Ms R James**  
**Receive and review the assurance framework**

Ms James explained that the purpose of this report was to present the Audit Committee with the Board Assurance Framework for October 2014.

The Board Assurance Framework (BAF) identified the principal risks to the delivery of the organisational objectives.

The action plan associated with the Health Care Associated Infection risk associated with strategic aim 1: To set the national standard for excellence in patient safety and clinical quality by delivering care free from avoidable harm and continuously reducing our mortality rate was increased to an amber risk as it was felt that the pace at which the action plan was being delivered was too slow.

A new risk around aim 1 - the Delivery of Harm Free Care was added and had been assigned a risk score of 16 (4 x 4): 1.2 Risk that a 50% reduction in avoidable category 2, 3 and 4 pressure ulcers was not achieved. This risk had been increased to amber.

A new status had been added to the Action Plan column for "Achieved" actions. (blue).

Each risk on the register would now be updated at the Board of Directors – the Quality Assurance committee would continue to review emerging risks and decide on any that required escalation. The QAC would review the controls and mitigations for current risks following the update from this meeting.

Discussion took place regarding assurance around some risks and particularly C.Diff.

In reporting C.Diff, Miss Holt confirmed measurement of these occurrences and in particular the criteria identified in the Quality Account was mandatory for all NHS Trusts.

The committee was asked to receive the updated Board Assurance Framework and note the changes / new risks.

**Decision 27Nov14 No016**

- The QAC would review the controls and mitigations for current risks following the update from this meeting.

**Decision 27Nov14 No017**

- The committee received the updated Board Assurance Framework and noted the changes / new risks.

4.10 **Review of the system and process for ensuring effective governance arrangements**

The purpose of this report was to review the trusts systems and process to ensure effective governance arrangements.

The report provided a summary of the trust's governance arrangements and any current sources of assurance that these are effective.

Ms James recommended that the Audit Committee await the result of the Deloitte's governance review and then consider any implications that arise from that review in the light of the Committee's ToR.

#### **Decision 27Nov14 No018**

- The Audit Committee agreed to await the result of the Deloitte's governance review and then consider any implications that may arise.

#### **5 REPORT FROM INTERNAL AUDIT REVIEW OF RISK MANAGEMENT**

Mr Fallowfield had prepared this report at the request of the Audit Committee Chair at the meeting on 28 August 2014; he had attached the full version of the limited assurance final audit report on the Risk Management Process.

This review was undertaken as part of the 2013/14 internal audit plan, and was referenced in our Head of Audit Opinion for the financial year ended 31 March 2014. A summary of the report had been presented at the August 2014 Audit Committee meeting.

The complete report was presented in view of the committee's specific remit for risk management within the Trust. A briefing on the findings had also been presented to the Quality Assurance Committee, given their responsibilities regarding the monitoring and challenging of risks on behalf of the Board.

Professor Edward Baker, Deputy Chief Inspector at the CQC had recently identified from their initial findings from acute hospital inspections that "Unacceptable variations in the rigour of risk management and quality assurance", as being one of their areas of concern. It was therefore important for the Trust to have robust and effective systems in place to record, assess, mitigate, monitor and appropriately escalate risks.

The key findings from the report are as follows:

- Survey results indicated that staff feel well supported by the risk management team.
- Further roll out of Datix action plan module across the Trust was being progressed and should be monitored by the Quality Assurance Committee.
- All risks should have an associated action plan with clear accountability for its implementation and timescale.
- The role of the Quality Assurance Committee regarding risk management should be enhanced.
- Introduction of regular and routine arrangements into clinical care centres to manage risk effectively.
- Consideration should be given to defining the Trust's risk appetite, and further clarity regarding the escalation process.
- There were a significant number of 'red' risks not being monitored at a corporate level, and there was a concern that risks were being assessed based on their local and not corporate importance as required by the Trust's policy.
- Recognition of the different functions of the Board Assurance Framework and corporate risk register.
- Lack of understanding of risk scoring.
- 20% of risks on the Datix system were over three years old.

The Audit Committee were requested to note the contents of the Risk Management Process final audit report.

**Decision 27Nov14 No019**

- **Noted**

**6 AUDIT NORTH**

**6.1 Internal Audit progress report to 31 October 2014**

Mr Fallowfield presented this report to inform the Committee on progress in relation to all Internal Audit work up to and including 31 October 2014 in accordance with the Internal Audit Plans for 2013/14 and 2014/15.

The report summarised work completed during the period since the last Audit Committee from both the 2013/14 and 2014/15 Internal Audit plans.

In total, the progress report summarised 6 outputs, including 3 limited assurance reports. These being:

- **NHS Professionals & Agency Staffing**

Discussion took place around ward management and the effective use of NHSP. The audit report clearly identified weaknesses, which needed to be addressed.

Miss Holt provided clarity in relation ward management and the e-rostering system. Miss Holt acknowledged that there was a need to review the system to establish how unused, but paid, hours, are reflected and managed.

- **Income – Car Parking**

It was confirmed that a meeting would be arranged with the external cash collection company, Cash Solutions (UK) limited, G4S to address the issues identified.

The head of estates & facilities had agreed to the implementation of all recommendations by the by 31 December 2014.

Mr Kirby asked that all outstanding actions be agreed and implemented as part of the report. Mr McQuade would be requested to attend the next meeting to update the committee.

- **IT Helpdesk**

Mr Smith planned to meet with an IT expert from internal audit outside the meeting.

There had been little change in the level of outstanding medium grade recommendation since the last Audit Committee meeting. As at 31 October 2014, 39 recommendations were reported, compared to 40 reported as at July 2014.

Management had requested extension dates for four recommendations, contained within the Usage of Taxis report Ref. STHFT 44/14. Finally, there

had been one request to delay an audit in the Internal Audit plan for 2014/15:

The Deputy Medical Director had requested the delay of follow up of consultants job plans into quarter 2 of 2015/16. It was understood that the Medical Director had written to the Audit Committee Chair explaining the complexities of current negotiations with consultants in agreeing new contracts, whilst remaining focused upon the process for consultant job plans.

Mr Kirby requested deadline dates for completion of this work.

Audit North proposed to replace this audit with two follow up reviews of limited assurance reports that were completed in the 2013/14 plan, but were finalised in 2014/15, and after the production of the draft plan that was approved by the Audit Committee. The follow up reviews were on Usage of Taxis and Contract Compliance.

It was confirmed that plans were in place to review the current taxi contracts at the start of 2015/16.

Mr Fallowfield agreed to liaise with Mrs Parnell regarding action being taken to follow-up outstanding recommendations.

Section 4.6 of the report had been prepared to address the specific requirements of the Audit Committee Business Plan in respect of systems reporting to the Board and the review of risks and controls around financial management (13.1.2).

In response to a question raised by Mrs Hullick, Mr Fallowfield confirmed that work was on track in relation to the annual plan schedule for 2014/15.

The Audit Committee is requested to:

- Note the contents of the progress report.
- Approve the proposed changes to the internal audit plan.
- Approve the extension requests for four recommendations.

#### Decision 27Nov14 No020

- The head of estates & facilities had agreed to the implementation of all recommendations by the by 31 December 2014.
- Mr Kirby asked that all outstanding actions be agreed and implemented as part of the report. Mr McQuade would be requested to attend the next meeting to update the committee. **Mr M McQuade**

#### Decision 27Nov14 No021

- Outstanding high priority recommendation - Consultant job plans. Mr Kirby requested a deadline dates for completion of this work. **Medical Director**

#### Decision 27Nov14 No022

- Mr Fallowfield agreed to liaise with Mrs Parnell regarding action being taken to follow-up outstanding recommendations.

#### Decision 27Nov14 No023

- Miss Holt to review the e-rostering system to establish how unused hours are reflected.

#### **Decision 27Nov14 No024**

- Miss Holt to determine a level of unused hours that is considered acceptable.

#### **Decision 27Nov14 No025**

The Audit Committee

- Noted the contents of the progress report.
- Approved the proposed changes to the internal audit plan.
- Approved the extension requests for four recommendations.

#### **6.2 Counter fraud update**

This report had been prepared to inform the committee of referrals, investigations and outcomes in the reference period April 2014 to November 2014.

Mr Fallowfield informed the Committee that there had only one referral to counter fraud in the reference period.

The committee were asked to note the update and advise upon any specific actions required.

#### **Decision 27Nov14 No025**

- Noted

### **7 REVIEW OF THE INCLUSION OF VAT WITH THE VALUATION OF TRUST LAND AND BUILDINGS**

Mr Simpson had prepared this report to advise Audit Committee on the decision to exclude VAT from the valuation of Trust Land and Buildings.

This report provided the background to the decision to exclude VAT from the valuation of trust land and buildings. Based on the level of investment required the replacement could only be undertaken in partnership using a Special Purpose Vehicle. Discussions had taken place with external auditors, and the District Valuation Service had been contacted to provide a revised valuation. The Trust's valuation of land and buildings would reduce by £33.5 million in 2014/15.

The Audit Committee were requested to approve the change in valuation methodology with effect from 1 April 2014.

#### **Decision 27Nov14 No026**

- Following discussion, members approved the change in valuation methodology with effect from 1 April 2014.

### **8 ANY OTHER BUSINESS**

There was no further business to report

### **9 NEXT MEETING**

- Wednesday 18 March 2015  
9:30 am

Board Room, Murray Building