

Meeting / Committee	Board of Directors	Meeting Date	27 November 2012		
This paper is for	Action/Decision	Assurance	Information X		
Title	Minutes of an audit committee meeting held on 27 September 2012				
Purpose	The purpose of this report is to inform Board members of the debate held at a recent audit committee.				
Summary	The paper provides information on: <ul style="list-style-type: none"> • Internal Audit work • External Audit work • Local Counter Fraud issues 				
Prepared by	David Kirby Sally McMaster	Presented by	David Kirby		
Recommendation	The Board of Directors is asked to note the attached minutes, which were approved by the audit committee on 8 November 2012.				
Implications	Legal X	Financial X	Safety & Quality	Strategic	Risk & Assurance X

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON THURSDAY 27 SEPTEMBER 2012
AT 9:30 AM
IN THE BOARD ROOM,
THE JAMES COOK UNIVERSITY HOSPITAL**

PRESENT

Mr D Kirby	- non-executive director (committee chair)
Dr G Ewart OBE	- non-executive director
Mr H Lang	- non-executive director
Ms H Wallace	- non-executive director

IN ATTENDANCE

Mr R Auty	- engagement manager - PwC
Mr S Fallowfield	- assistant director of audit – Audit North
Mr I Fuller	- head of corporate finance
Ms R James	- deputy director of healthcare governance and quality
Mr L Dobbing	- audit manager – Audit North
Mrs S McMaster	- senior administration officer
Mr C Newton	- director of finance
Mrs C Parnell	- company secretary/executive assistant to the chief executive
Mr G Thompson	- assistant director of audit– Audit North (agenda item 6.1)
Mrs S Watson	- operational services director (agenda item 4.3)

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr J Whitehouse, director of audit - Audit North.

2 MINUTES OF THE MEETING HELD ON 19 JULY 2012

Decision 27Sep12 No01

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

3 MATTERS ARISING FROM THE 19 JULY MEETING, NOT INCLUDED ON AGENDA

3.1 Matters arising

- There were no matters arising.

Decision 27Sep12 No02

- Noted

3.2 Action Plan

- The action plan would be updated to reflect the following decisions:-

Minute Ref	Business Plan Ref	Item	South Tees NHS Foundation Trust Audit Committee Action Point	Lead	Expected date of completion	status following 27 September 2012 meeting completed outstanding on agenda next meeting Ongoing
19July12 No12		Internal Audit progress report to 31 May 2012	Healthcare Records File Structure - Ref 11/12 - The chairman requested the inclusion of a summary in the next progress report, to show the selection process for the sample of patient Healthcare records for this	Stuart Fallowfield	Sep-12	
19July12 No13		Internal Audit progress report to 31 May 2012	The Chairman requested feedback from Audit North at the next meeting on the audit / governance arrangements for clinical research networks where the Trust was involved.	Stuart Fallowfield	Sep-12	
24May12 No21		Counter Fraud Annual Report 2011/12	Mr Thompson would produce a table showing Trust data in relation to types of fraud being reported, compared with those being reported nationally.	Graham Thompson	Jul-12	
19July12 No15		PwC Management Letter on the Trust accounts 2011/12	It was agreed that this item be deferred until the 27 September meeting.	PwC	Jul-12	

Outstanding
Completed
Next meeting
On agenda

Decision 27Sep12 No03

- Noted

4 AUDIT COMMITTEE BUSINESS PLAN

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

ToR Ref	Audit Committee Terms of Reference	Status
13.1.2	The committee should ensure that the systems for financial reporting to the Board, including those of budgetary control are subject to review as to the completeness, accuracy and effectiveness of the information provided to the Board.	Completed
13.2.1c	Schedule of losses and compensation <i>It was agreed that the review date would be changed from September 2012 to November 2012</i>	Next meeting
13.2.2	The underlying assurance processes that indicate the degree of the achievement of corporate objectives and the effective management of principal risks.	Completed
13.4.1	Before the audit commences review of the annual audit plan together with local evaluation of risks and assessment of trust identifying any impact on the audit fee	Next meeting
13.4.2	Review of all external audit reports, together with the appropriateness of management responses to audit findings and recommendations. Monitor implementation of recommendations. <i>It was agreed that the review date would be changed from September 2012 to March 2013.</i>	March 2013
13.5.1	Whistle blowing arrangements to be reviewed.	Next meeting
13.6.3	Report on the clinical audit programme and outcomes	Item not actioned

- Noted

4.1 Schedule of losses and compensation

Mr Fuller advised the Committee that this item would be brought to the next meeting. This would allow consistent reporting of yearly and half yearly results.

Decision 27Sep12 No04

- Noted

Decision 27Sep12 No05

- Schedule of losses and compensation - It was agreed that the review date would be changed from September 2012 to November 2012.

4.2 Review of assurance processes relating to management of the principal risks to the achievement of the corporate objectives

Ms James had prepared this paper to enable the Committee to review the adequacy and effectiveness of the underlying assurance processes for the management of principal risks to the corporate objectives.

There were three elements to this review:

- The assurance framework

- The identification of strategic risks and emerging / future risks.
- The process for developing and maintaining the assurance framework, sources of assurance and the process for managing principal risks.

In conclusion, Ms James stated in her paper that the processes of development, maintenance and assurance relating to the assurance framework were robust, however the risks identified were based on known issues and the emerging thinking was that the growing uncertainty of the risk landscape required this to be supplemented by a broader focus on the resilience of the whole systems within the organisation. In this respect the papers by the Cass Business School and PwC were helpful in suggesting how Risk Assurance could be supplemented.

It was agreed that the Audit Committee was the correct forum for this topic to be discussed.

In the light of the Cass Business School and PwC papers Mr Kirby requested examples of the strategic risks and emerging / future risks to be brought to the next meeting, for discussion prior to being recommended for presentation to the Board.

The Audit Committee were asked to support the conclusion that the assurance framework accurately reflected the principal risks to the delivery of the corporate objectives and that the process to develop it was robust.

Further discussion was needed on the process for identifying emerging and future strategic risks.

Decision 27Sep12 No06

- The Committee received the report and supported the conclusion that the assurance framework accurately reflected the principal risks to the delivery of the corporate objectives and that the process to develop it was robust.

Decision 27Sep12 No07

- Mr Kirby requested examples of the strategic risks and emerging / future risks to be brought to the next meeting.

4.3 Business Continuity Progress Update

Mrs Watson presented this paper to inform Audit Committee of the progress of business continuity planning in the trust.

Business Continuity Plans for all critical services had now been completed. An exercise schedule was under development to ensure all these plans have been tested by 31 December.

To date there had been no further progress developing Community Services (south sector) business continuity plans, however it had been agreed that two workshops would be held for service managers to equip them to complete the plan templates.

Mrs Watson was pleased to report that as a result of good planning and the commitment of staff, there had been very minimal disruption to services during the recent snap of adverse weather. Formal thanks would be noted to the relevant individuals at the next Board meeting.

Mrs Watson found it helpful to seek the views of the Audit Committee on this issue. It was agreed that six monthly updates would be brought to the Committee.

The Committee were asked to note the contents of this report.

Decision 27Sep12 No08

- Noted
- It was agreed that six monthly updates would be brought to the Committee.

5 AUDIT NORTH

5.1 Internal Audit progress report to 31 August 2012

Mr Fallowfield and Mr Dobbing presented this report, which had been prepared to present progress of internal audit work to 31 August 2012, in accordance with the internal audit plan 2012/13.

Section 1

It was noted that there were 4 high grade recommendations (shaded in Appendix 2a), nomedium, and 1 low in excess of one year outstanding.

Attention was drawn to four high grade recommendations in relation to the Homecare Companies Audit report ref. 23/10, the principal pharmacist, had advised Audit North that the amended policy had been approved at the Drug and Therapies Committee and was now due to be presented to the Clinical Standards Committee on the 23 October 2012.

In respect of recommendations due within one year, there were 8 high recommendations that had not been fully implemented, 14 medium and 7 low. Three of the eight recommendations were in relation to an IT Audit review of Theatre General Controls. Audit North had been given assurance by the Divisional Manager – Surgery that the post-holder who joined the Trust at the beginning of September was on track to have implemented these recommendations by the extended timescale of 31 December 2012.

Audit North continued to monitor the outstanding recommendations in relation to the former Middlesbrough, Redcar and Cleveland Community Services Organisation.

As at 31 August 2012 there were 3 high grade recommendations, 7 medium and 2 low outstanding. There were 4 medium grade recommendations outstanding in excess of one year and two low grade.

The report showed that the following assignments were now complete:-

- Transforming the care we deliver IM&T
- 11/13 Whistle Blowing processes

Section 2 - Assignment summaries

- Ref 10/12 – Best practice tariff (Limited Assurance)

The aim of this audit was to provide assurance that the Trust has sufficiently robust processes in place to maximise the opportunity for best practice tariff income in addition to the relevant PbR tariffs for compliance with expected patient outcomes. Procedures should ensure compliance and also evidence achievement.

- Ref 07/13 - Healthcare Records Tracking (Limited Assurance)

This report followed on from the report Ref 11/12 - Healthcare Records File Structure, which was discussed at the last meeting. The aim of this review was to provide the Trust with assurance that healthcare records are being correctly tracked to their physical location. Findings suggested that this was not occurring in all instances. The failure to have the physical patient notes tracked correctly could pose a risk to patient safety; however, Mr Dobbing informed the committee that clinicians would seek to access an alternative record in the absence of the hard copy file. Therefore this risk was lessened.

- Mr Dobbing also referred to the findings from the Healthcare records survey reported to the last Audit Committee.

- Ref 04/12 Transfer of Community Health Services (Significant Assurance)

The aim of this audit had been to provide assurance that the Governance element of the Community Services transitional plan had been implemented successfully to aid the Trust in fulfilling its strategic objective of delivering business benefit from successful integration with MRCCS and North Yorkshire & York.

Mr Fallowfield briefed the committee on the outcome of a discussion with the Medical Director regarding Clinical Research Networks, summarised in section 4 of the report. The Audit Committee Chair requested further work, particularly in respect of the financial processes involved.

Mr Fallowfield took the Audit Committee through the key points of section 4 of the report.

- Report Ref 11/12 – Healthcare Records Survey. Details of the sampling methodology for this review which was reported to the previous Audit Committee were provided.
- Report Ref 06/12 - Monitor Terms of Authorisation. There was a recommendation within this report which management felt was not accurate, after a review of the process followed it was noted that the report had been issued in accordance with the protocol, however, further information had been provided which indicated that a recommendation was no longer necessary. This report was therefore amended and re-issued.
- Needle stick injuries (This issue was discussed under item 6.1).

Section 4.3– Audit Committee Business Plan items

- Financial Reporting to the Board
(This issue was discussed under item 9)
- CQC Audit Review 2012/13
The approach to this assignment had been discussed with the deputy director of healthcare governance and quality. It was understood that recent CQC inspections had resulted in positive outcomes and that the Trust could take positive assurance from these visits.

It was suggested that advanced assessment by internal audit would be worthwhile in advance of any future CQC inspections.
- Assurance framework (This issue was discussed under item 4.2)

Section 4.4 – Outcomes from other audit work

- The Audit Committee chair outlined that the Audit Committee business plan in respect of 'Whistleblowing' had been delayed to receive the findings of the Audit North report on this subject. An initial review of the Trust's Whistleblowing process had been completed and findings to date were summarised in appendix 4. However, to gauge the Trust's staff awareness and willingness to report concerns, the current staff survey contains specific questions on this matter.
- The audit committee requested to be updated when the results of the staff survey had been reviewed.
- Review of recruitment processes - The high level findings had been shared with Senior HR colleagues and further discussions were taking place with a view to finalising this report.
- IM&T continuous testing summaries - transforming the care we deliver - No management actions had been raised as a result of the review.
- Review of MRCCS Service Level Agreement – A meeting to discuss the report has been arranged for October with representatives of the Trust and NHS Tees.

Section 4.5- Matters of interest

Research - Audit North regularly and routinely undertake research into various issues. The results of which are (where possible) feed into structured programmes in order that the service provided by Internal Audit remains of a high quality and of utmost benefit to their clients.

Recently Internal Audit have been undertaking and a wider and more significant piece of work, which they believe would be helpful to the Trust. This work covered a review (in the widest sense) to determine the cultural reasons why organisations fail; and how the structure and culture of governance arrangements, including internal audit provision may be aligned to provide the appropriate assurance in the most timely manner to prevent such an occurrence.

Briefing papers had been prepared and it was proposed that meetings would take place with the Trust's Acting Chief Executive, Chair, Audit Chair and

Director of Finance to discuss further.

The intention of the discussion was to raise awareness of the findings of our research, obtain the views of key Trust officers and determine how we continue to improve on-going audit activity and existing governance arrangements to negate or reduce these perceived risks.

Mr Newton welcomed further discussion with internal audit colleagues. This was supported by the Audit Committee.

The Audit Committees attention was brought to the outcomes of Audit North's first online quality survey, which is intended to give a more rounded view of the service provided and areas for improvement. The reports will also be shared with Mr Newton as part of his membership role of the consortium board.

The Audit Committee were requested to Note the content of the progress report.

Decision 27Sep12 No09

- Members noted the content of the report and progress to date and agreed to the extension of deadlines for the recommendations contained in appendix 2

Decision 27Sep12 No010

- Mr Fallowfield briefed the committee on the outcome of a discussion with the Medical Director, summarised in section 4 of the report. The Audit Committee Chair requested further work, particularly in respect of the financial processes involved.

Decision 27Sep12 No011

- Whistleblowing arrangements to be reviewed following the receipt of the results of the staff survey.

6 LOCAL COUNTER FRAUD

6.1 Counter Fraud Update July 2012

Mr Thompson presented this report to inform the committee of counter fraud activity for the period April to August 2012.

Mr Thompson was pleased to report that the Annual Counter Fraud Plan 2011/12 had been well received by the Management Group on 4 September.

The update report outlined all Local Counter Fraud Service work, both proactive and reactive, undertaken by Audit North in the period July to August 2012 and reflected the following:

- Completion of NHS Protect Bribery Act survey and proposed action plan.
- NFI update
- Benchmarking data re fraud referrals
- UKBA ID Training
- On-going referrals/investigations

Mr Thompson informed the committee of the details in relation to three referrals which had been received during this reporting period. The committee were also updated on an on-going investigation.

Mr Thompson explained the detail supporting the benchmarking information provided to the Audit Committee. Mr Fallowfield further explained that the information had been based on a report produced by NHS Protect.

The committee were asked to note the contents of the report.

Decision 27Sep12 No012

- An update report would be brought to a future meeting.
- Noted

7 PRICEWATERHOUSECOOPERS

7.1 Mr Auty confirmed that there were currently no significant issues to be brought to the attention of the Audit Committee.

Decision 27Sep12 No013

- Noted

8 ADOPTION OF SOUTH TEES HOSPITALS GENERAL CHARITABLE FUND ANNUAL REPORT AND ACCOUNTS 2011/12

8.1 Adoption of charitable funds annual report and accounts 2011/12

Mrs Parnell presented the annual accounts 2011/12 to the audit committee for review, prior to being adopted formally by the Charity's trustees.

The charitable funds annual report and accounts 2011/12 Accounts were required for filing with the Charity Commission by 31 January 2013.

The charitable funds annual accounts 2011/12 reported incoming resources of £3.3 million, resources expended of £2.9 million, resulting in fund balances carried forward at 31 March 2012 of £8.4 million.

The audit opinion was to be issued within the governance report from PricewaterhouseCoopers LLP with the signed certificate to be included within the accounts, following adoption by the Charity's trustees.

The Audit Committee were requested to receive and approve the charitable funds annual report and accounts 2011/12 and recommend adoption by the Charity's trustees.

Decision 27Sep12 No014

- The Audit Committee received and approved the charitable funds annual report and accounts 2011/12 and confirmed adoption by the Charity's trustees.

8.2 Management Letter on the Charitable Funds Audit

The purpose of this report was for PwC to present their management letter to those charged with governance.

PwC had discussed this report with management as part of their audit process. The purpose of this report was to update the members of the Audit Committee on the progress of the audit and of any significant matters that had arisen during the course of their work.

The report summarised PwC's audit work on the annual report and accounts of the Charitable Funds for the year ended 31 March 2012.

The Audit Committee were asked to review the findings of the report.

Decision 27Sep12 No015

- The Audit Committee reviewed the findings of the report.

9 DIRECTOR OF FINANCE'S REPORT

This report set out details of current issues relevant to the audit committee.

• Financial information presented to the Board of Directors

The Audit Committee business plan (ToR ref 13.1.2), required a review of systems of reporting actual and forecast financial information to the Board of Directors for completeness, accuracy and effectiveness. This duty was discharged jointly between the Director of Finance and Internal Audit.

The report included information relating to the current process and how they work, together with an indication of areas for development.

At the request of Mr Kirby, Mr Fuller agreed to reinstate the 'headroom' table into the monthly finance report. This table had been suspended temporarily due to technical difficulties.

Discussion took place regarding the distinction between information presented in Board reports, which was historical and therefore subject to internal audit testing and predictive information which sought to provide assurance/the basis for decision taking. Members considered that the Board should be aware of the calculation basis of predictive information and any potential upside/downsides to this arising from alternative calculation methods. Mr Newton / Mr Fuller undertook to give consideration to enhancing such forecasts in future Board reports.

Similarly the risks and controls around financial management was a combination of actual information and the use of information for management purposes.

It was agreed that further work to look at assurance levels around predictive information would form part of future reports and audit involvement.

- Links to the following publications / were also attached for information: -
 - Monitor FT Bulletins published on 23 July and 20 August 2012.
 - Monitor - Review of NHS foundation trusts' annual plans (2012/13)

Members were requested to note the contents of the report.

Decision 27Sep12 No016

- Noted

Decision 27Sep12 No017

- Mr Fuller agreed to reinstate the 'headroom' table into the monthly finance report.

10 ANY OTHER BUSINESS

There was no further business to report.

10.1 The Chairman referred to the Committee's annual meeting with Divisional Managers and suggested that in the first instance the Committee should see newly appointed managers and managers not seen previously. The Committee considered topics for discussion and agreed these would include:-

- Divisional Management
- Financial Forecasting and Budgetary Control
- Divisional Managers views on future P&E plans.

11 NEXT MEETING

Thursday 8November 2012
9:30 am
Board Room, The Murray Building