

# South Tees Hospitals

NHS Foundation Trust

<b>Meeting / Committee</b>	Board of Directors	<b>Meeting Date</b>	31 May 2012
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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 19 April 2012
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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>	<p>The paper provides information on:</p> <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 24 May 2012.
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<b>Implications</b>	Legal X	Financial X	Safety & Quality	Strategic	Risk & Assurance X
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**MINUTES OF AN AUDIT COMMITTEE MEETING  
HELD ON THURSDAY 19 APRIL 2012  
AT 10:15  
IN THE BOARD ROOM  
THE JAMES COOK UNIVERSITY HOSPITAL**

**PRESENT**

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

**IN ATTENDANCE**

Mr R Auty - engagement manager – PwC  
Mr L Dobbing - audit manager – Audit North  
Mr I Fuller - head of corporate finance  
Ms R James - deputy director of healthcare governance and quality  
Mrs S McMaster - finance business manager  
Mrs R Metcalf - Assistant director of human resources (*item 4.1*)  
Mr C Newton - director of finance  
Mrs C Parnell - company secretary / executive assistant to the chief executive  
Mr J Whitehouse - director of audit – Audit North

**1 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Mr N Austin, engagement lead, PwC; Miss K Douglas, senior manager – PwC; Mr H Lang, non-executive director; Mr S Fallowfield, assistant director of audit – Audit North; Mr G Thompson, assistant director of audit – Audit North and Mr S Pleydell, chief executive

***Item taken out of sequence***

**4.1 Review of whistle blowing arrangements**

Mrs Metcalf attended the meeting to update members on the amended reporting concerns at work policy (whistleblowing).

The process for reporting a concern at work had been amended following audit committee recommendations.

Ms Wallace raised questions in relation to the steps to be taken for staff to raise a concern and also the trust's assurance to those members of staff raising concerns.

Mr Whitehouse and Mrs Metcalfe would discuss the issue of bribery and corruption outside the meeting.

**Decision 19Apr12 No01**

- The audit committee accepted the revised policy.

***Mrs Metcalf left the meeting***

2 **MINUTES OF THE MEETING HELD ON 19 JANUARY 2012**

**Decision 19Apr12 No02**

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

3 **MATTERS ARISING AND ACTION PLAN**

3.1 **Matters arising**

There were no matters arising.

**Decision 19Apr12 No03**

- 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 19 April 2012 meeting completed outstanding on agenda next meeting Ongoing
22Mar12 No06		Draft 2012-13 Audit Committee Business Plan	A further revision would be made to the draft business plan to incorporate the requirement for the audit committee terms of reference to be reviewed on an annual basis.	David Kirby	Apr-12	19April12 No05
22Mar12 No08		Review of Whistle Blowing arrangements	In the unavoidable absence of Rachael Metcalf this item was waived until the next meeting.	Rachael Metcalf	Mar-12	19April12 No01
22Mar12 No14		Audit Committee self assessment	An action to address the review of CQC evidence be added to the business plan	David Kirby	Apr-12	19April12 No05
22Mar12 No19		Internal Audit Draft Plan 2012/13	2012/13 plan to be brought back to the audit committee, for final approval together with an outline three year strategic plan.	Stuart Fallowfield	Apr-12	19April12 No12
04Oct11 No15		Summary re fraud activity with other trusts	It was noted that the regional exercise was currently being repeated in respect of cases relating to 2010/11 and the results would be reported at a future meeting.	Graham Thompson	When appropriate	19April12 No14
22Mar12 No10		Audit Committee self assessment	Members to make an annual declaration of any training needs.	David Kirby	Jul-12	
22Mar12 No02		Agency costs / discretionary pay	Mr Fuller to provide further information on the level of community services medical agency costs.	Iain Fuller	May-12	
22Mar12 No17		Director of finance report	Mr Fuller agreed to provide further information in relation to financial risk ratings (FRR) at the annual accounts briefing session on 10 May.	Iain Fuller	May-12	
22Mar12 No05		Draft 2012-13 Audit Committee Business Plan	Mr Newton to report to a future audit committee on how the finance function compared to the 'stepping up' benchmarks.	Chris Newton	Jul-12	
22Mar12 No20		Local Counter Fraud - Progress Report	Mr Whitehouse to report back on publicity for redress/sanctions.	John Whitehouse	Jul-12	
09Nov11 No16		update following discussion at risk and assurance committee (corporate risk register)	The chairman acknowledged the work that had been undertaken in relation to the risk register and invited Ruth James to return to the audit committee in six months time to give feedback on how valuable the exercise had been.	Ruth James	Jul-12	
04Oct11 No24		A centralised rostering project	Detailed discussion took place around these two papers and accompanying presentation. Members noted that planning annual leave was a significant element of managing rostering and that the trust should give consideration to ensuring this also applied to other staff groups. It was agreed that Mrs Smith would be invited to attend a future audit committee meeting to present an update paper on e rostering benefits realised.	Alison Smith	When appropriate	July 2012 - tbc
22Mar12 No11		Audit Committee self assessment	Q30 Has the Committee reviewed the robustness of the data behind reports and assurances received by itself and the Board?	Chris Newton / IA	Sep-12	
22Mar12 No16		Director of finance report	Mr Fuller would feedback to the committee on the Monitor consultation once the response had been received and present to a future investment committee on the MEA implications.	Iain Fuller	When appropriate	

#### Decision 19Apr12 No04

- Noted

## 4 **AUDIT COMMITTEE 2012/13 ANNUAL BUSINESS PLAN**

A further revision had been made to the draft business plan to incorporate the requirement for the audit committee terms of reference to be reviewed on an annual basis.

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

### **Decision 19Apr12 No05**

- The new 2012/13 business plan was accepted, subject to updates as discussed.

### **4.2 Draft Annual Governance Statement 2011/12**

Ms James presented this report which provided the committee with the opportunity to review and comment on the annual governance statement, prior to inclusion in the 2011/12 annual report.

The conclusion of the statement was that:

- The trust had not identified any significant control issues for the financial year ending 31 March, 2012, which required reporting within the statement.
- South Tees Hospitals NHS Foundation Trust had a generally sound system of internal control that supported the achievement of its policies, aims and objectives.

Appendix 1 contained guidance on the definition of significant control issues.

The Committee were asked to review and support the content and conclusion of the statement.

- Members made reference to including the CQC visit in March, regarding termination of pregnancy.

### **Decision 19Apr12 No06**

- The draft report was accepted subject amendments being made to reflect the discussion and points raised.

### **Decision 19Apr12 No07**

- An updated report would be brought to the next meeting.

### **4.3 Draft Quality Account 2011/12**

Ms James presented the committee with the draft quality account for 2011/12.

The production of the quality account is a statutory obligation, the finished report must be published on the trust's website and the account forms part of the annual report which is submitted to Monitor.

The content of this account was mandated and incorporated a review of the quality of services in 2011/12 and the setting of a number of quality priorities for the coming year.

The final version of the quality account must include the full year data for the measures reported; some of this information would not be available until mid-April. The section on the quality priorities for 2012/13 was currently incomplete as feedback was awaited from the implementation leads.

The committee were asked to receive the report and provide feedback on the content.

Ms James provided the chairman with clarity on the processes followed to produce this report and confirmed that the final document would include a summary of the five priority areas, which form the basis of the document.

Following discussion the report was accepted subject amendments being made to reflect the discussion and points raised.

#### **Decision 19Apr12 No08**

- The draft report was accepted subject amendments being made to reflect the discussion and points raised.

#### **Decision 19Apr12 No09**

- An updated report would be brought to the next meeting.

#### **4.4 Review of audit committee criteria on individual engagements to supply non audit services**

The chairman brought this paper to determine whether the criteria which was used in November 2011 to measure the proposal to use the external auditors to supply non audit work should be amended, in the light of FRC guidance.

Following discussion it was agreed that subject to minor wording changes below, the existing criteria should continue to be used.

- iv Was the value of the non audit work of such a proportion or was there any other consideration to cause concerns of conflict of interest?

#### **Decision 22Mar12 No10**

- The audit committee agreed that subject to the above minor wording changes, the existing criteria should continue to be used.

### **5 AUDIT NORTH**

#### **5.1 Internal Audit progress report to 29 February 2012**

Two reports had been finalised since the last progress report and a significant amount of audit work was in progress with 8 reports awaiting responses from management.

One draft report had been issued with a 'No Assurance' opinion. A meeting had been taken place on 16 April to discuss the findings with the chief operating officer and deputy director of healthcare governance; this was in accordance with the internal audit protocol.

Outstanding recommendations continued to be closely monitored with the overall number of high priority actions remaining constant with the previous progress report over the period of reporting. Medium grade recommendations had increased by ten.

The committee were recommended to:-

- Note the content of the progress report and progress to date.
- Review and approve revised recommendation implementation dates.
- Review and approve proposed changes to the audit plans for 2011/12.

#### **Decision 22Mar12 No11**

- The audit committee noted the content of the progress report and progress to date;
- reviewed and approved revised recommended implementation dates, and
- reviewed and approved the changes to dates for recommendations highlighted in red.

#### **5.2 Internal Audit Draft Plan 2012/13**

This document set out a draft internal audit plan, for discussion, for the financial year 2012/13. The plan had been developed in line with the methodology outlined within the Government Internal Audit Standards, which define how internal audit services should be established and undertaken.

Key issues for consideration in the report were the Internal Audit 3 year planning strategy and the scope and coverage of the plan.

Mr Whitehouse ran through the report and noted the suggested minor amendments to paragraph 4, which showed a reduction rather than an increase in the patient safety percentage..

The chairman was impressed with the number of new areas covered in the 2012/13 plan.

Members were requested to approve the 2012/2013 operational internal audit plan, subject to any comments received from the trust's management group held on 17 April 2012.

#### **Decision 22Mar12 No12**

- Approved subject to amendment to reflect comments received from the trust's management group and the audit committee.

## 6 LOCAL COUNTER FRAUD

### 6.1 Counter Fraud Planning update

This report had been prepared to inform the committee of the counter fraud planning process for 2012/13.

Mr Whitehouse explained the processes and strategies, which were designed to maximise the impact of counter fraud work by:

- Working with client trusts to strengthen and maintain their anti-fraud frameworks, including their overall anti-fraud policy and strategy, in line with a clear and demonstrable 'zero tolerance' approach;
- Engaging effectively with senior management through a network of key contacts to enable swift, effective co-ordinated action to be taken in respect of reported suspicions or any national / local alerts;
- Systematically acquiring and analysing intelligence from a variety of national, regional and local sources to maintain an up-to-date fraud threat assessment which in turn drives a local risk assessment for each client organisation designed to identify the focus of proactive work in any given year. Proactive work would then be undertaken to strengthen policies and procedures, and raise awareness of the particular fraud threats among relevant staff groups in order to mitigate the risks identified.

Mr Thompson and Mr Fallowfield would be meeting with Mr Newton on 26 April for a quarterly review on internal audit issues.

The committee were requested to note the content of the report.

#### Decision 22Mar12 No13

- Noted

### 6.2 Summary of fraud activity within acute trusts for 2010/11

This report provided the committee with a summary of regional trends in fraud investigations at acute trusts, identifying regional benchmarking of data relating to fraud investigations during 2010/11.

It was noted that Audit North clients were at the lower end of the spectrum in terms of numbers of investigations, however numbers were subject to fluctuation and tend to be influenced by referrals.

Meetings would take place between Audit North colleagues, Mr Chris Newton and Mr Chris Harrison, the director of Human resource to discuss the findings.

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

#### Decision 22Mar12 No14

- Noted

## 7 **Review of accounting policies**

Mr Fuller presented this report to and gain approval of the Trust's Accounting Polices, in place for the 2011/12 financial year.

The accounting policies for the 2010/11 financial year had been approved by the audit committee in May, 2011. This review identified any changes to those policies taking account of changes in statute, new accounting practices, and guidance from professional bodies, known by the trust as at 31 March 2012.

The key accounting policy changes, since the report in May, are detailed as follows:

- 1.2.1 Critical judgements in applying accounting policies;
- 1.3 Prior Period Adjustments (PPA's);
- 1.7 Property, Plant and Equipment;
- 1.7.1 Recognition;
- 1.7.2 Valuation;
- 1.7.5 Revaluation gains and losses;
- 1.7.6 Impairments
- 1.9 Donated, government grant and other funded assets;
- 1.10 Revenue government and other grants;
- 1.11 Non-current assets held for sale;
- 1.18 Carbon Reduction Commitment Energy Efficiency (CRC) Scheme;
- 1.20 Finance Instruments and Liabilities;
- 1.26 Subsidiaries;
- 1.28 Accounting standards that have been issued but have not yet been adopted;

The Accounting policies covering Prior Period Adjustments (PPA's) and the Carbon Reduction Commitment Energy Efficiency (CRC) Scheme were new policies applied in 2011/12.

Further information to support the changes was attached at appendix 1 and the full set of accounting policies, were attached at appendix 2 for information.

Members were recommended to approve the accounting policies detailed within the report and note any actions required to be undertaken by the trust. Any changes would be discussed at the annual accounts workshop on 10 May 2012.

### **Decision 22Mar12 No15**

- Approved and noted.

## 8 **ANY OTHER BUSINESS**

Mr Newton informed the committee that he would wish to bring the trust finance director analysis arising from the PwC '*stepping up*' report, to the July meeting, as this would then be based on the latest comparators.

### **Decision 22Mar12 No16**

- Mr Newton informed the committee that he would wish to bring the trust finance director analysis arising from the PwC '*stepping up*' report, to the July meeting
- Noted

**FUTURE MEETINGS**

- Informal internal meeting (annual accounts briefing)  
Thursday 10 May 2012  
10:00 am  
Meeting Room 2, The Murray Building
- Thursday 24 May 2012  
09:30 am  
Board Room, The Murray Building