

South Tees Hospitals

NHS Foundation Trust

Meeting / Committee	Board of Directors	Meeting Date	29 October 2013
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This paper is for	Action/Decision	Assurance	Information X
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Title	Minutes of an audit committee meeting held on 18 July 2013
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Purpose	The purpose of this report is to inform Board members of the debate held at a recent audit committee.
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Summary	<p>The paper provides information on:</p> <ul style="list-style-type: none"> • Internal Audit work • External Audit work • Local Counter Fraud issues
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Prepared by	David Kirby Sally McMaster	Presented by	David Kirby
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Recommendation	The Board of Directors is asked to note the attached minutes, which were approved by the audit committee on 26 September 2013.
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Implications	Legal X	Financial X	Safety & Quality	Strategic	Risk & Assurance X
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**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON THURSDAY 18 July 2013
AT 9:30 AM
IN THE BOARD ROOM,
THE JAMES COOK UNIVERSITY HOSPITAL**

PRESENT

Mr D Kirby	- non-executive director (committee chair)
Mr H Lang	- non-executive director
Ms H Wallace	- non-executive director

IN ATTENDANCE

Miss R Bhuttar	- shadow student - PwC
Mr S Fallowfield	- assistant director of audit – Audit North
Mr I Fuller	- head of corporate finance
Mrs R Holt	- director of nursing and patient safety (part of meeting)
Ms R James	- deputy director of healthcare governance and quality
Mrs S McMaster	- senior administration officer
Mr C Newton	- director of finance
Mrs N Wright	- engagement lead – PwC

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mrs L Ingle, senior manager – PwC; Mrs C Parnell, company secretary/executive assistant to the chief executive and Mr J Whitehouse, director of audit - Audit North.

2 MINUTES / NOTES OF PREVIOUS MEETINGS**2.1 Minutes of the meeting held on 23 May 2013**

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

Decision 18Jul13 No01

- Noted

3 MATTERS ARISING FROM THE 23 MAY MEETING, NOT INCLUDED ON AGENDA**3.1 Matters arising**

There were no matters arising.

Decision 18Jul13 No02

- Noted

3.2 Action Plan

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

Minute Ref	Item	South Tees NHS Foundation Trust Audit Committee Action Point	Lead	Expected date of completion	completed outstanding on agenda next meeting Ongoing
19July12 No17	Benefits realisation – e rostering	Mrs Smith would be invited to attend future Audit Committee meetings as appropriate to provide ongoing updates.	Alison Smith	Mar-13	Ruth Holt attended the meeting
18Apr13 No23	Director of Finance Report	Research and Development - An update would be brought to a future meeting.	Chris Newton	When appropriate	

Outstanding
Completed
Next meeting
On agenda

Decision 18Jul13 No03

- Noted

4 AUDIT COMMITTEE BUSINESS PLAN

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

Decision 18Jul13 No04

- Noted

4.1 Members to make annual declaration of training needs

In accordance with the Audit Committee Terms of Reference, committee members are required to make an annual declaration of training needs, to ensure appropriate development and training.

Audit Committee members had identified the following areas for further development and/or training:-

Topic	Provided by	Type of requirement
Reference costs and other issues related to tariff	Iain Fuller Head of Corporate Finance	Annual update Presentation
Service Line Reporting (SLR) and Patient Level Information Costing Systems (PLICS)	Iain Fuller Head of Corporate Finance	Annual update Presentation (outside Audit Committee)
Financial Risk Ratings (FRR)	Iain Fuller Head of Corporate Finance	Annual update (to be included within Director of Finance Report)

Mr Kirby's paper stated that development sessions are provided on an on-going basis, in order to address the training and development needs of audit committee members.

Suitable conference and training opportunities would continue to be identified on an ad hoc basis to ensure that members remain current with national thinking.

The committee were asked to consider and approve the above training plan for Audit Committee members.

Decision 18Jul13 No05

- The committee considered and approved the training plan for Audit Committee members.

4.2 Review statement on trust compliance policies

Ms James had prepared this paper to provide the Committee with an update on current regulatory requirements and the processes and policies, which provide assurance that these are being met.

The healthcare regulators were reviewing their assessment processes following the recommendations made by the Mid Staffordshire Public Enquiry.

This report provided an update on the regulatory framework and the trusts current position, and recommended a full assessment of the compliance policies and processes is undertaken when the new regulatory standards are in place.

The Committee were recommended to receive the report.

Decision 18Jul13 No06

- The Audit Committee received the report.

4.3 Annual review by the committee of the performance of the external auditor

As requested by the Audit Committee this report had been prepared to provide a summary of external audit performance for the audit year 2012/13. This assessment was in line with the key performance indicators set out in PwC's external audit proposal documentation.

As part of their audit work, PwC had provided the Trust with a number of reports including (to date):

- Audit Plan for the Trust;
- An Interim Report on the Trust;
- Progress updates at Audit Committee meetings; and
- ISA 260 report and our report on the Trust's Quality Accounts.

In accordance with the 'contract for the provision of external audit services', a copy of this report would also be presented to the Council of Governors.

Mr Newton and Mr Fuller acknowledged the excellent working relationships that had developed between PwC and finance department colleagues and endorsed the achievement of KPI's.

Members were requested to note the content of the report.

Decision 18Jul13 No07

- Noted

4.4 **The committee will review the work of other committees within the trust**

It was noted that the work of the Integrated Governance Committee and its sub-groups had their own distinct roles but also supported the role of the Audit Committee. The purpose of this report was to demonstrate that the duties described in the terms of reference of these supporting groups had been met and from this the Audit Committee could gain assurance about its work.

Each of the supporting groups had produced an annual report describing the work undertaken in 2012/13 to deliver the duties described in their terms of reference. The Integrated Governance Committee annual report for 2012/13 incorporated a summary of the sub group's annual reports and was approved by the Board of Directors in May 2013.

The committee structure, which was shown on at appendix 1 of this report, showed the Audit Committee as being a sub-committee of the Board of Directors along with other Board sub-committees. In response to Mr Lang the Chairman confirmed that the Audit Committee was the senior sub-committee of the Board and reported only to the Board. Mr Fallowfield confirmed that Internal Audit had previously recommended that the structure diagram should show the Audit Committee sitting above and separate to the other sub committees and reporting directly to the Board reflecting its role and responsibilities.

Members discussed the need to be assured that the Audit Committee ToR were met and that they continued to be relevant given the changes within the NHS and the desire to reflect good practice. The Chairman confirmed that ToR were reviewed annually and it was the Committee's intention to review its effectiveness later in the year with independent parties. This would also pick up on regulatory changes and changes to the committee structure. Any implications from this could then be fed into the annual ToR review.

The Committee was asked to consider the conclusion that the committee structure supported the work of the Audit Committee and that the annual reports provided evidence that duties of the relevant groups within the committee structure had been carried out during 2012/13.

Decision 18Jul13 No08

- Noted

4.5 **Outcome of the PwC Report on the Quality Account**

Ms James had prepared this report to inform the Committee of the outcome of the external assurance review of the 2012/13 Quality Account.

The Auditors had given an unqualified limited assurance report in respect of the content of the Quality Report.

An unqualified limited assurance report had been given in respect of the mandated performance indicators.

The auditors are required by Monitor to undertake substantive sample testing of a further mandated indicator, the results of which were not included within the limited assurance report but a detailed report on the findings and recommendations for improvement was included in the Governors report. This indicator is 'The percentage of patient safety incidents resulting in severe harm or death'. The audit showed that there were 3 errors identified in sample tested and 1 control issue identified.

The actions taken to address the control issue were described in this report.

The full report from PwC was included as appendix 1.

The Audit Committee were requested to receive the report and note the actions taken to address the control issue.

Decision 18Jul13 No09

- The Audit Committee received the report and noted the actions taken to address the control issue.

5 AUDIT NORTH

5.1 Internal Audit progress to 30 June 2013

The aim of this report was to present progress on all Internal Audit work up to and including 30 June 2013 in accordance with the Internal Audit Plan for 2013/14.

All work had been undertaken in accordance with Government Internal Audit Standards and the Trust's internal audit policy and protocol

The report summarised work completed during the reference period, consisting of thirteen outputs, comprising two full assurance reports, six significant assurance reports, three limited assurance reports and two continuous testing memos.

The Committee were informed that updates in relation to the following topics would be brought to the next meeting:-

- Whistle blowing at the trust
- Charitable Funds (Research and Development activity)

Ms Wallace raised the issue of failure to work to consultant job plans. This topic was covered under item 6.1.

The Audit Committee were 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 18Jul13 No010

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.

Decision 18Jul13 No011

Updates in relation to the following topics would be brought to the next meeting:-

- Whistle blowing at the trust
- Charitable Funds (Research and Development activity)

6 LOCAL COUNTER FRAUD

6.1 Local Counter Fraud update report to 30 June 2013

Mr Whitehouse had prepared this report to advise the committee of Counter Fraud activity for the period April to June 2013.

The Update Report outlined all Local Counter Fraud Service work, both proactive and reactive, undertaken by Audit North in the period April to June 2013 including:-

- Strategic Governance of CF matters
 - Plan status;
 - Completion of NHS protects self review tool Latest position on Bribery & Corruption action plan;
- Inform & Involve
 - Details of latest communications with staff
- Prevent & Deter
 - Outcomes on co-operation with UKBA
 - Outcomes/update on bank mandate actions
 - NFI outcomes
- Hold to Account
 - Details of cases brought forward, opened in the period or closed off.

The committee were asked to review the report and advise upon specific actions required.

Decision 18Jul13 No012

- Noted

7 PRICEWATERHOUSECOOPERS

Mrs Wright gave a general verbal update on the work of PwC.

Decision 18Jul13 No013

- Noted

8 NURSING ISSUES – FOR INFORMATION

- 8.1 Ward Establishment Review Action Plan
Agenda Item 8.1 - Board of Directors – 25 June 2013

8.2 Ward Establishment Review
Agenda Item 5.2 - Board of Directors – 26 March 2013

Financial analysis / sickness absence statistical information

Miss Holt was welcomed to her first meeting of the Audit Committee.

Documents relating to the above topics had been distributed for information purposes, to provide Mrs Holt with a flavour of key areas of interest, which were frequently discussed by the audit committee. In particular these centred around matters with implications for the system of internal control such as e-rostering – realisation of benefits and implications for nursing agency spend.

Decision 18Jul13 No014

- Noted
- Mrs Holt agreed to bring updates to future meetings on relevant topics including e restring and agency, once she was established in her new role.

9 DIRECTOR OF FINANCE REPORT

Mr Newton and Mr Fuller gave a verbal update of current issues relevant to the audit committee including:-

- the current status in relation to Research and Development monies;
- the annual accounts had been submitted within the required timescales;
- the annual plan had been submitted to Monitor, and a follow-up visit was planned for 13 August 2013;
- a response had been submitted in relation to Monitor consultation on risk ratings;
- the Monitor quarter 1 return was due to be completed;
- Reference Costs submission - feedback was expected at the end of 2013. Mr Fuller would bring a presentation on the outcome to a future meeting.

Decision 18Jul13 No015

- Noted
- Reference Costs submission - feedback was expected at the end of 2013. Mr Fuller would bring a presentation on the outcome to a future meeting.

10 ANY OTHER BUSINESS

- There was no further business to report

11 FUTURE 2013/14 MEETINGS

- Thursday 26 September 2013
- Thursday 28 November 2013
- Thursday 16 January 2014
- Thursday 20 March 2014

(9:30 am, Board Room, Murray Building)