

**SUMMARY OF THE MINUTES OF THE TRUST AUDIT COMMITTEE HELD ON
9 SEPTEMBER 2014**

**THESE MINUTES MAY BE MADE AVAILABLE TO THE PUBLIC AND PERSONS OUTSIDE OF
THE TRUST AS PART OF THE TRUST'S COMPLIANCE WITH THE FREEDOM OF INFORMATION
ACT 2000**

41/14 INTERNAL AUDIT

Progress Report

Mr Stephenson reported on progress with reviews:

- Core Financial Systems - work has been completed on the first phase of the review and a draft report has been issued. Mr Stephenson updated that reconciliation had now been addressed and there is work in progress on other areas identified by Internal Audit.
- Procurement - work has been undertaken to review the draft procurement strategy and Mr Stephenson reported that the Trust had identified appropriate goals and objectives to take the function forward.
- IT Provision - the review was to comment on the proposed direction of travel for the service.

2013/14 Reports

Procurement

The Committee noted an assessment of the Trust's progress against all previously identified actions and recent tender actions. Mr Stephenson reported that with the change in Head of Procurement there has been significant progress with the ten recommendations.

The report classification was noted as Medium Risk.

Risk Management

A number of good practices were highlighted.

The report classification was noted as Low Risk.

Patients Property

Mr Stephenson reported that systems are logical but were not always complied with, the Committee agreed communications with patients encouraging them to leave valuable goods at home was a key control. Members were keen to see the risk classifications reduce to Medium.

The report classification was noted as Low Risk.

2014/15 Reports

Patient Experience Follow Up

The Committee noted the report had moved from a medium to low risk and in the previous year there had been four medium risks and three low risks, the report found five to be closed, two have been partially implemented.

The report classification was noted as Low Risk.

42/14 REPORTS FROM THE DIRECTOR OF FINANCE

Losses and Compensations

The Finance Director informed members payments and write offs of invoices were closely scrutinised in detail.

Single Tender Action

The Finance Director presented the singles tenders which had been signed since the last Audit Committee which included the purchase of Dyson Fans for which there had

been a consensus to purchase.

43/13 NHS FOUNDATION TRUST ANNUAL REPORTING MANUAL 2014/15 PROPOSED CHANGES

Monitor has undertaken a consultation on proposed changes to the FT Annual Reporting Manual for 2014/15. Members considered the key changes to:

- Enhanced Audit reporting
- Format of the Remuneration report
- Group Accounting

44/13 AUDIT COMMITTEE REPORT TO THE COUNCIL OF GOVERNORS

The Audit Committee has a requirement to report to the Council of Governors on an annual basis on the work undertaken as part of the 2013/14 Annual Audit.

45/14 EXTERNAL AUDIT

Annual Audit Letter

Members noted that the Audit letter would be presented to Main Board at the September meeting. Mr Henderson presented the headlines to members and key points were noted as:

- Audit of the accounts - the key messages arising from the audit of the Trust's financial statements, it was noted that the Trust had responded well to the issues raised during the audit and they had been considered in detail by the Audit Committee.
- Financial Performance - the planned surplus was achieved.
- Use of Resources - the Quality Report received an unqualified opinion. The Trust is required to obtain assurance on three indicators, 18 week referral was selected as the local indicator but testing was unable to be completed at the specific time of the audit as a significant number of patients notes were unavailable, the process for obtaining patients notes in the future would need to be considered.

46/14 COUNTER FRAUD

Mrs Cheung presented the updated final Annual Report which no longer needs to be submitted to NHS Protect but has to be made available on a specific request. Members noted:

- Members noted the reactive work which centered on a number of referrals; eighteen of the referrals were progressed to full investigation and recorded on FIRST, the NHS Protect database
- The action plan, there are two standards rated as amber, neither are high risk.
- The case update which include three new allegations and one case which now has a date in court.
- The Self-Review Tool had been shared with Executive Directors.

49/13 TREATMENT OF FRAUD RELATED CASES

Members noted the recommendation to develop a framework for the suspension of employees to ensure consistency across the Trust. The framework is currently in a draft form as the current actions cards are under review to provide further detail.

Members noted the recommendation to creating a wider pool of trained internal investigators and to undertake additional in house training for people sitting on panels.

**MINUTES OF THE AUDIT COMMITTEE
HELD IN THE BOARDROOM, 1 COLLEGE LAWN, CHELTENHAM
ON TUESDAY 9 SEPTEMBER 2014 AT 8.45AM**

THESE MINUTES MAY BE MADE AVAILABLE TO THE PUBLIC AND PERSONS OUTSIDE OF THE TRUST
AS PART OF THE TRUST'S COMPLIANCE WITH THE FREEDOM OF INFORMATION ACT 2000

PRESENT

Mr Mike Evans	ME	Chairman and Non-Executive Director
Mrs Helen Munro	HM	Non-Executive Director
Mr Clive Lewis	CL	Non- Executive Director

IN ATTENDANCE (by invitation)

Mr Martin Wood	MW	Trust Secretary
Mrs Sallie Cheung	SCh	Local Counter Fraud Specialist
Mr Kevin Henderson	KH	Grant Thornton (GT), External Audit
Mrs Helen Simpson	HS	Finance Director
Mr Alan Thomas	AT	Governor, Cheltenham Borough Council Area
Mr Peter Stephenson	PS	Price Waterhouse Coopers (PwC), Internal Audit
Ms Bianca Edwards	BE	Employees Relation Manager (<i>In attendance for Item 13 only</i>)

APOLOGIES

Ms Caroline Parker	CP	Head of Financial Services
Mr John Golding	JG	Grant Thornton (GT), External Audit
Mr Andrew Seaton	AS	Director of Safety
Ms Lynn Pamment	LP	Price Waterhouse Coopers (PwC), Internal Audit
Mr David Bacon	DB	Interim Head of Shared Services

ACTION

38/14 DECLARATIONS OF INTEREST

There were none.

39/14 MINUTES OF THE MEETING HELD ON 20 MAY 2014

RESOLVED: That the minutes of the meeting held on 20 May 2014 were agreed as correct record and signed by the Chair.

40/14 MATTERS ARISING

The Committee noted the completed actions.

Task and Finish Group

Mr Stephenson agreed to share best practice information with the Finance Director ahead of a final report being prepared for the November meeting of the Committee.

HS

Follow up on Recommendations

The Finance Director reported the work was ongoing to update the tracker and a report on progress will be presented at the November meeting.

DB/HS

Consultant Job Planning

The Finance Director reported that the Medical Director would attend the November meeting to report progress.

HS/SE

41/14 INTERNAL AUDIT

Progress Report

Mr Stephenson reported on progress with reviews:

- Core Financial Systems - work has been completed on the first phase of the review and a draft report has been issued. Mr Stephenson commented that reconciliation of control accounts had now been addressed and there is work in progress to address authorised signatories. The expectation is that changes with the Core Financial Systems and leadership will become embedded into the department's routine.
- Procurement - work has been undertaken to review the draft procurement strategy and Mr Stephenson reported that the Trust had identified appropriate goals and objectives to take the function forward. The draft strategy will be presented to the Main Board at the September meeting.
- IT Provision - the review was to comment on the proposed direction of travel for the service, the work has been differed due to 2gether undertaking work on organisational reorganisation which may impact on the proposal for the IT provision. The work around the resilience of the IT provision will then be revisited.

2013/14 Reports

Procurement

The Committee noted an assessment of the Trust's progress against all previously identified actions and recent tender actions. Mr Stephenson reported that with the change in Head of Procurement there has been significant progress with the ten recommendations. The main issues to address were noted as

- Procurement currently has the responsibility for driving contract management but to be more effective in securing clinicians' engagement.
- Completion of key strategy and policy documents.
- Development and monitoring of a key suite of performance measures.

The Finance Director reported on interim changes and proposed line management structure including the line management of the Head of Procurement which will address the segregation issue.

Members noted that although there had been good progress the Cost Improvement Programme had taken the focus. The Cost Improvement Programme Procurement target was achieved last year and the Finance Director updated that this year's programme was being driven forward and the Supplier Re-engagement Programme was continuing to be progressed. The Finance Director agreed to confirm the Cost Improvement Programme figures for this year and last year.

HS

The Committee sought assurance that risk could be moved from a medium to a low risk and that there were measures in place to avoid a repeat of problems such as those associated the Dialysis Contract in 2013. Mr Stephenson reassured the Committee that the Procurement function had moved from transactional to more proactive with mitigations of risks. Member asked if controls were place to prevent the Trust having an unsigned contract, the Finance Director added that process has now been reviewed and links into departments are being reviewed to become more sophisticated rather than reactive. The Trust Secretary also gave assurance than work was taking place with him and the Interim Head of Shared Services to review the standing order delegation scheme.

The report classification was noted as Medium Risk.

Risk Management

A number of good practices were highlighted, the following findings were noted

- Review of Directorate Risk Registers showed some dates had passed their date for review or completion.

AS

- System for processing still inadequate although improved since the introduction of Datix.

The Committee discussed the barriers in actions being completed. The Finance Director gave assurance progress is being made and there is a robust mechanism in place including reporting to monthly Executive Divisional Reviews and the Trust Management Team. The Committee agreed it would be useful for the Safety team to demonstrate people are held to account and to know specifically why actions had not been complete, the Finance Director agreed to circulate the response to the Committee.

AS
HS

The report classification was noted as Low Risk.

Patients Property

Mr Stephenson reported that systems are sound but were not always complied with. The Committee agreed the need for prompt and effective communication with patients and their relatives encouraging them to leave valuable goods at home. This is a key control and would also link into the Task and Finish Group. The report classification was noted as Low Risk.

2014/15 Reports

Patient Experience Follow Up

The Committee noted the report had moved from a medium to low risk. In the previous year there had been four medium risks and three low risks, the report found five to be closed, two have been partially implemented. The report recognised work around reducing complaint response times was ongoing and members noted the deadline for responses is an internally generated target. Managements of Patients leaflet was also noted as a significant project as there are a huge range of leaflets.

Mrs Munro requested that differences in Divisions complaints process was discussed at the next Quality Committee.

The report classification was noted as Low Risk.

Mr Stephenson left the meeting at 9.30am.

42/14 REPORTS FROM THE FINANCE DIRECTOR

Losses and Compensation

The Finance Director informed members payments and 'write offs' of invoices were closely scrutinised in detail. Members noted a significant payment which related to employment tribunal case. Members also noted a company with external expertise is currently undertaking a review of Private Patients arrangements.

Single Tender Action

The Finance Director presented the single tender actions which had been signed since the last Audit Committee which included the purchase of Dyson Fans for which there had been a consensus to purchase. Members noted the single tender for Board Development which the Finance Director informed members was a Monitor requirement and the decision had been taken by the Chair to select Fynamore to complete the work.

Task and Finish Group

Discussed as part of minute 30/14.

RESOLVED: That the Committee note the reports.

43/14 NHS FOUNDATION TRUST ANNUAL REPORTING MANUAL 2014/15 PROPOSED CHANGES

Monitor has undertaken a consultation on proposed changes to the FT Annual Reporting Manual for 2014/15. Members considered the key changes which included:

- Enhanced Audit reporting - members noted that the majority of the work will be complete by the Auditors but should not have a significant impact on the audit fees. The work will be broadened to give a view on the Annual Report and due to timings may require part of the Annual Report to be drafted at an earlier date.
- Format of the Remuneration report - changes will require the report to be formatted into a three section format.
 - 1) an annual statement on remuneration policy and changes
 - 2) details of policy relating to the remuneration of senior managers and
 - 3) An annual report on remunerationMember considered the first section and agreed that greater transparency around whole remuneration packages would be preferable.
- Group Accounting - Charitable Funds were consolidated in 2013/14, and it is expected that there will only be minimal impact to make any additional disclosures in the accounts.
- The facilities to collect payment for Private Patients and Overseas patients was raised , the Finance Director informed members plans were in place but this was a sensitive issue to manage and would be progressed as part of the Task and Finish Group work .

RESOLVED: That the Committee note the report.

44/14 AUDIT COMMITTEE REPORT TO THE COUNCIL OF GOVERNORS

The Audit Committee has agreed to report to the Council of Governors annually on the work undertaken as part of the Audit. The Finance Director confirmed that the additional audit fee of £6,000 had been accepted as reasonable and the Audit Committee are able to give assurance to the Council of Governors that members are very satisfied with the Auditors' standard of work.

RESOLVED: That the Committee note the report.

45/14 EXTERNAL AUDIT

Annual Audit Letter

Members noted that the Audit letter would be presented to Main Board at the September meeting. Mr Henderson presented the headlines to members and key points were noted as :

- Audit of the accounts - It was noted that the Trust had responded well to the issues raised during the audit. The amendment to the surplus did not impact on Board and Monitor reporting and the Finance Director confirmed that Monitor do not look at asset revaluation, the Trust's operating surplus was unaffected.
- Members agreed the second bullet point required amendment to make reference to other adjustments. KH
- Financial Performance - the planned surplus was achieved .Members discussed the construction of the Radiotherapy facilities within Hereford and the correct accounting for the 2014-15 financial statement. Mr Henderson agreed to include a narrative around the expectation. KH
- Use of Resources – the Quality Report received an unqualified opinion. The Trust is required to obtain assurance on three indicators. 18 week referral was selected as the local indicator but testing was unable to be completed as a significant number of patient's notes were unavailable for sound operational reasons. The process for obtaining patients notes in the future would need to be considered.

RESOLVED: That the Committee note the report.

46/14 COUNTER FRAUD REPORT

Mrs Cheung presented the updated final Annual Report which no longer needs to be submitted to NHS Protect but has to be made available on a specific request. Members noted the reactive work which centred on a number of referrals. Eighteen of the referrals were progressed to full investigation and recorded on "FIRST"- the NHS Protect database. Seven cases related to working when sick, Mrs Cheung reiterated the need to reinforce the message and ensure back to work interviews are completed. A series of presentations are also taking place as part of the induction process. Mr Lewis commented that it would be useful to see financial savings attached to referrals; Mrs Cheung commented that it would be impossible to identify savings for the proactive work (the deterrent effect) agreeing to add savings for the reactive work to the Annual Report.

SC

Members considered the action plan. There are two standards rated as amber, neither are high risk and related to spending a scheduled one day per month on Trust premises and attending Controlled Drugs Local Intelligence Network meetings.

Members noted the case update which include three new allegations and one case which now has a date in court.

The Self-Review Tool had been shared with Executive Directors, members noted that Procurement was amber and did not see any reason that it could be moved to green. Mrs Cheung commented that it could not be changed at this point but could be moved to green next year.

RESOLVED: That the Committee note the report.

47/14 REVIEW OF THE TRUST RISK REGISTER

Part of the role of the Audit Committee is to review the Trust Risk Register. Members noted that a log of change had now been included in the report. The Finance Director clarified that risk S118 which related to the use of the Daycare Unit to support bed capacity issues was under review and was not a new risk.

RESOLVED: That the reports be noted.

48/14 AUDIT COMMITTEE WORKPLAN 2014

The Finance Director reported that the Interim Head of Shared Services would be reviewing the workplan to develop a more detailed plan including final accounts preparation.

Consultant Job Planning to be added as an agenda item for the November meeting.

RESOLVED: That the Committee note the report

49/14 TREATMENT OF FRAUD RELATED CASES

Ms Edwards updated members on the recommendation to develop a framework for the suspension of employees to ensure consistency irrespective of rank in decision making. The Framework is currently in a draft form as the current actions cards are under review to provide further detail.

Mrs Munro commented that it would be useful for panels to be able to review cases against an impact analysis and to be given sufficient time to deliberate to ensure the correct decision is made for the organisation. Ms Edwards agreed to further discuss the best approach with the Director of HR and through the HR Governance and Policy Group.

LCFS Involvement - Mrs Cheung raised concerns that LCFS were not always

informed of every case. Ms Edwards agreed to inform Mrs Chung of all cases even where initial investigations find incidents to be an isolated case. Members also noted that regular meetings had been arranged for the HR team and LCFS team to discuss cases.

Members noted the recommendation to create a wider pool of trained internal investigators and undertake additional in house training for people sitting on panels. Mrs Cheung commented that the danger with internally trained staff is that they are not able to put training into practice enough to hone skills.

RESOLVED: That the reports be noted.

50/14 ANY OTHER BUSINESS

There was none.

DATE OF THE NEXT MEETING

Tuesday 11 November 2014 , 8.45am in the Boardroom at 1 College Lawn

**Chair
11 November 2014**