

Board of Directors Meeting: Thursday 3 September 2009

BD2009.83

Subject	Report from the Audit Committee			
Purpose of paper	To provide the Board of Directors with an overview of the Board's Audit Committee meeting of Thursday 9 July 2009			
Board Lead	Dr Colin Reeves CBE, Vice Chairman and Audit Committee Chair			
Background papers	-			
Action/decision required	To consider the report, and approve any necessary actions			
Key purpose	Strategy	<u>Assurance</u>	Policy	Performance
Strategic Goal	SG3: To achieve financial sustainability and long-term growth			
Strategic Objective	SO10: To become a strategic, high performing and agile organisation supported by efficient and patient focused clinical processes, modern systems and business processes			
Links to: Board Assurance Framework/ Trust Key Risks/Annual Health Check element(s)	-			
Also considered by	-			
Resource and financial impact	As described in the text			
Consideration of legal/equality/diversity/engagement issues	As described in the text			
Acronyms and abbreviations used	-			
Author	This report is based on minutes of the meeting drafted by the Board Secretary, and endorsed by the Committee Chair for circulation to Committee members			

## Report of the Audit Committee meeting of Thursday 9 July 2009

### Introduction

Opening the meeting, Dr Reeves welcomed Ms Rice, Mr Salt (pending the appointment of two Non-executive Directors to full membership of the Committee), and Ms Simcock; and thanked all those responsible for the timely and effective presentation of papers.

### Matters arising

#### AC22/08: Review of Private Patient and Overseas Visitor Income 2008/09

The reduction against plan in income from private patients and overseas visitors in 2008/09 derived in part from delays in commissioning the Cancer Centre, and the Finance and Performance Committee would consider this issue.

#### AC40/08: Internal Audit Progress Report

Four aspects of Divisional management of which Internal Audit had been critical:

- The administration of **nurse recruitment** needed strengthening.
- After some delay, in January 2009 the Executive Board had approved capital funding to support the **decontamination of surgical instruments**, and a project plan had been devised to make the system operational by 30 September 2009.
- The Trust's revised **medicines policy** had been launched and communicated.
- A job planning exercise within **consultants' remuneration for on-call** had been undertaken across the Division, around rostered numbers and work intensity. A further audit would take place in approximately eighteen months' time.

Ms Sue Donaldson, Director of Human Resources and Organisational Development, would be invited to attend the next meeting to discuss the workforce issues identified.

### Financial position

At Month 3, it appeared unlikely that the planned annual surplus of £2.4m would be achieved by 31 March 2010. However, the in-month position was improving: income had exceeded the planned level, although it included the *pro rata* contribution from the £5m excess 'cap' of Oxfordshire Primary Care Trust (the PCT). More discussion was required with each PCT (and particularly Oxfordshire) regarding additional payments or reduced demand. The Trust was far from alone in providing activity that was unlikely to be remunerated. Dr Reeves suggested that ways had to be found of ensuring that Divisions and Directorates fully controlled their costs within budget.

### Internal Audit Annual Report 2008/09

The report summarised the full year's work. The number of recommendations that it included was falling, indicating that the Trust was generating better responses to the underlying issues that CEAC identified, but too few were implemented promptly or at all.

### **Internal Audit Progress Report 2009/10**

The timing of particular audits gave a false impression of slow progress, but the programme was on schedule. Internal audit of the cost-improvement programme (CIP) centred on the review of process, rather than on the identification of further savings; and the Committee would have to find alternative means of reviewing governance and general issues if they were displaced from the Internal Audit programme by work on the CIP.

### **Recommendations follow-up update 2009/10 and Recommendations overdue at 2009/10**

Some remaining issues that were medium or low risk should be removed. Executive Directors should be given a clear indication of those recommendations that were particularly important and required immediate action, and the relevant Executive Directors would be asked to ensure completion of outstanding issues by 31 August 2009.

### **Counter Fraud Annual Report 2008/09**

The report reflected the compound indicators that had been issued, but reported nothing additional to the quarterly progress report that the Committee had previously considered. Paragraph 2.10 demonstrated that fraud awareness sessions had taken place and further joint events were planned, illustrating the constructive relationship between the Trust and its local security management specialist. Paragraph 9 demonstrated counter-fraud activity with all of CEAC's clients. The time, energy and financial costs of counter-fraud activity were not disproportionate to the resource devoted to other fundamental problems that the Trust confronted. There would be value in using national data to demonstrate a correlation of expenditure with the number of reported incidents.

### **Counter Fraud Progress Report 2009/10**

Paragraph 4 described the eight cases under current investigation. These mostly involved car parking. A recent Audit Commission report had demonstrated a higher incidence of fraud during economic downturns.

### **Referral Letter to the Secretary of State under Section 19 of the Audit Commission Act 1998**

As discussed at the previous meeting of the Committee, the Referral Letter had been issued, incorporating further comments and suggestions from the Trust and from South Central Strategic Health Authority. As yet, the Department of Health had not responded.

### **Revised Opinion and Closing Certificate**

The report confirmed completion of the Annual Accounts.

### **External Audit Progress Report**

The report confirmed the work that had been carried out, and that the statutory deadlines had been met. The Trust was likely to be awarded an increased score following national moderation of the Annual Accounts, in which the Audit Commission would emphasise the Trust's very

constructive approach, citing the conclusions of the Auditors' Local Evaluation (ALE). NHS Trusts that were awarded a score of 3, without significant changes, were likely to have to undergo only a 'light touch' ALE assessment in future. None of the Audit Commission updates was especially relevant at present to the Trust.

### **Payment by Results Data Assurance Framework (Outpatients)**

The Director of Planning and Information had confirmed that the Data Quality Board and the Data Quality Group (comprising local supervisory staff in the records function) would consider the implications of the report in more detail.

### **LIFT Schemes under IFRS**

The Department of Health required submission by 4 September 2009 (but had still to issue the appropriate form), after submission to the SHA.

### **Indexation of Plant and Equipment**

The Trust had to select an index that reflected price movements in carrying plant and equipment, and Finance recommended adoption of the GDP deflator for this purpose. In addition, future indexation might more usefully be carried out on the last day of the financial year, rather than on the first, as at present. This change would be in line with the practice of other NHS Trusts.

### **Losses and Special Payments**

Losses relating to uncollected private patient debts were the only items of substance.

### **Revised Internal Audit Plan**

The plan included the changes that the Committee had agreed at its meeting on Thursday 19 March 2009. Workforce planning, and bank and agency usage, were critical issues; and their review by Internal Audit in time for discussion at the October meeting of the Committee was commended. Following undue delays to responses to audits of capital and information technology schemes, a firmer line might be needed with those concerned.

### **Training for Non-executive Directors**

The Audit Commission offered training in audit issues to Non-executive Directors.

### **Private session of full members with the auditors**

Dr Reeves and Mr Salt reported that they had no issues that they wished to raise separately or jointly with the auditors in private.