

## COMMERCIAL IN CONFIDENCE

University Hospitals Birmingham  
NHS Foundation Trust

**AUDIT COMMITTEE**

Minutes of the Meeting of 11 February 2010  
Board Room, Trust HQ, QEMC

**Present:**  
Mr Stewart Dobson (Chair)  
Mrs Gurjeet Bains ("GB")  
Ms Angela Maxwell ("AM")  
Mr David Ritchie ("DR")  
Ms Clare Robinson ("CR")

**In Attendance:**  
Mr David Burbridge, Director of Corporate Affairs ("DCA")  
Mr Mike Sexton, Director of Finance ("FD")  
Mr Julian Miller, Deputy Director of Finance ("DFD")  
Mr Tim Jones, Executive Director of Delivery ("EDoD")  
Mr Bob Hibberd, Head of Governance ("HoG")  
Mrs Sheena Taylor, Risk Management Advisor ("RMA")  
Ms Imogen Gray, Head of Quality Development ("HoQD")  
Mr Derek Ball, Patient Services Manager ("PSM")  
Mr Glen Palethorpe, RSM Tenon (Internal Audit)  
Ms Lynsey Philpott, RSM Tenon (Internal Audit)  
Mr Bradley Vaughan, RSM Tenon (Counterfraud)  
Mrs Sophie Jenkins, KPMG (External Audit)  
Mr David Sharif, KPMG (External Audit)  
Mrs Berit Reglar, Senior Manager Corporate Affairs ("SMCA")

A10/74 **Apologies for Absence**

Apologies for absence were received from the following:

Prof Michael Sheppard  
Prof David Bailey  
Mr Kevin Bolger, Chief Operating Officer  
Mrs Kay Fawcett, Chief Nurse  
Mr Trevor Rees, KPMG

A10/75 **Minutes of the last meeting – 5 November 2009**

**Resolved: The minutes of the previous meeting held on 5 November 2009 were approved as a correct record.**

A10/76 **Matters arising**

The EDoD provided a verbal update on the current work carried out by HR to automate the administration of personnel records. There were plans to scan in old records with a view to archiving these electronically, but it was anticipated that this would require substantial time and resources. The EDoD confirmed that HR staff were working closely with the Record Management Group to ensure this project linked in with other work undertaken by the Trust.

A10/77 **External Audit – Progress Report**

The Committee considered the progress update report presented by Sophie Jenkins of KPMG. It was clarified that the Court ruling of 9 December 2009 on the private patient income cap (Page 4 of the report) was unlikely to have an impact on the Trust.

**Resolved: To accept the report.**

A10/78 **External Audit – 2009/10 Audit Plan**

The Committee considered the 2009/10 Audit Plan which was commended as a very clearly laid out document. David Sharif of KPMG drew attention to the explanation on Page 6 of the report regarding the calculation of the annual audit fee.

**Resolved: To accept the report.**

A10/79 **External Audit – IFRS compliant Annual Accounts**

The Committee considered a report dealing with the presentation of the Trust's 2009/10 Accounts in accordance with the International Financial Reporting Standards (IFRS) and containing a draft template. The DFD explained that there was a possibility that the Trust might be required to move from IAS 17 to IAS 39 and that this could have a financial impact of some £10M p.a. over a period of 5-6 years. Further clarification of this important issue, which had national implications, was required and in this regard, KPMG were requested to do what they could, as a matter of urgency, to obtain such clarification. It was also agreed that the Committee should receive regular progress reports on this issue.

**ACTION: KPMG/AI**

**Resolved: To accept the report.**

A10/80 **Internal Audit – Progress Report**

The Committee considered the Internal Audit Progress Report, presented by Glen Palethorpe of RSM Tenon. The report included a "work in progress or planned" section (section 4) which the Committee regarded as a helpful refinement. The Committee queried the reasons as to why some of the recommendations in relation to Payroll seem not to have been implemented. It was explained that different sections within Payroll have been tested over time and that, whereas all recommendations made in the past in one section have been fully implemented, they have re-appeared in other newly tested sections of the Payroll department.

With regards to "Whistleblowing" (p. 29) it was added that 5-6 meetings have been held by the EDoD. The CN has been in regular email correspondence with the Whistleblower; CR has been involved in her capacity as SID. It was agreed that the CN would provide clarity on the accuracy of the notes.

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**ACTION: CN**

The recommendation regarding challenge to the Board Assurance Framework was discussed and it was agreed that Audit Committee members would identify the aspects they wish to include in the Assurance Framework Review (p.33) in good time prior to the next Audit Committee meeting.

**ACTION: All**

**Resolved: To accept the report and provide feedback to the DCA on the Assurance Framework Review.**

A10/81

**Recommendation Tracking Report**

The Committee considered the Recommendation Tracking Progress Report presented by the DCA. The Committee raised concerns about the number of updated, but not fully implemented significant recommendations issued in relation to the IT Disaster Recovery Plan. Whilst it was appreciated that the IT Disaster Recovery Plan is dependent on other plans (eg. Emergency Preparedness Plan), it was felt that further progress could have been made.

The DCA reported that the IT Director (DIT) has been asked to draft a detailed action plan with agreed time spans in order to ensure that all recommendations in relation to the IT Disaster Recovery Plan are fully implemented in the near future.

**ACTION: DIT/DCA**

**Resolved: To accept the report.**

A10/82

**Internal Audit – Draft programme for next year**

The Committee considered the draft audit programme for the next financial year which it is to approve at the next regular meeting. There was discussion about including additional work regarding HR, PDRS and testing of the validity of business cases for consultancy posts.

There was discussion about including additional work regarding HR and PDRS. It was noted that the HR functions were undergoing development and that an audit report on HR would be useful once those developments had been implemented. (i.e. an audit report might be useful in 2011/12).

**ACTION: CN/PSM**

**Resolved: To accept the report.**

A10/83

**LCSF Progress Report**

Bradley Vaughan from RSM Tenon presented the LCSF Progress

Report. The Committee discussed how the Trust could mitigate any risks of being fined for having failed to carry out the appropriate recruitment checks. It was agreed that a separate audit on recruitment checks would be useful.

**ACTION: DCA**

During a further discussion of the issue of surveillance it became apparent that there was some uncertainty as to who would have the authority to authorise this. It was agreed that the DCA would clarify the contractual/general legal requirements in relation to surveillance.

**ACTION: DCA**

**Resolved: To accept the report.**

A10/84

**BNHP – Financial Risks**

The Committee thanked the FD for his clear, concise and well written report on financial risks. The FD explained that the next report would also include an update on the 10 year financial plan in order to provide further transparency.

**Resolved: To accept the report.**

A10/85

**Assurance Framework**

The DCA presented the new Assurance Framework Report and explained that further work had been carried out since the report had been sent out. An updated version was therefore tabled at the meeting. The DCA explained that in the future the report will only feature:

- changes to the current framework
- failures to implement action plans

so as to keep the size of the report at a reasonable level.

**Resolved: To accept the report.**

A10/86

**Governance Framework Monitoring Report**

The DCA presented the new Governance Framework Monitoring Report and explained that, as with the Assurance Framework Report, considerable effort had gone into this report to render it more meaningful. The table now included brief details as to the scoring system and the entire report has been streamlined. The Governance Framework Monitoring Report assesses the quantity and quality of assurances provided on risks that have been identified in the Assurance Framework Report and eventually the Governance Framework Monitoring Report will be subsumed into the Assurance Framework Report.

It was queried why the covering sheet referred to PDRS as an areal

shown in amber, whereas the report itself made no reference to PDRS. It was agreed that this would be clarified by the Senior Manager Corporate Affairs (SMCA).

**ACTION: SMCA**

**Resolved: To accept the report.**

A10/87

**Clinical Quality Monitoring Report**

The Committee considered the Clinical Quality Monitoring Report, presented by the Head of Quality Development. The Head of Quality Development explained that a new technical system has been developed in order to increase the questionnaire completion rate which remains an issue. The new system will eliminate reference to those patients readmitted for the same or similar conditions. It was agreed that the new system should be tested for several months and if the response rate continues to remain low, a more assertive approach will be considered.

**Resolved: To accept the report.**

A10/88

**Quarterly Clinical Governance Audit Activity Report**

The Committee considered the Quarterly Clinical Governance Audit Activity Report.

**Resolved: To note the report.**

A10/89

**Risk Management Report**

The Risk Management Advisor (RMA) presented the Risk Management Report which showed an increase in the number of missing medical records. The RMA explained that this increase might not necessarily indicate poorer performance, but may be due to increased efforts of reporting.

As this remains an area of concern it was suggested that the Head of Data Quality and Patient Administration be asked to ensure that departments with an excellent medical record management system share their experience with those departments where large amounts of records are recorded as missing. The EDoD explained that such comparisons could not always be made as there are some departments which require almost instant access to records with little time to request them. These departments might therefore have to see the patient without having full access to the patient's medical records and thus records would be recorded as missing. It was agreed that the RMA would look into this further.

**ACTION: RMA**

The EDoD confirmed that staffing issues (p.10) are already monitored.

**Resolved: To accept the report.**

A10/90

**Report on NHSLA Risk Management Standards Action Plan**

The Committee considered the Report on NHSLA Risk Management Standards Action Plan. It was noted that other Trusts had recently failed to achieve their targeted RMS level with both financial and reputational consequences. The Trust's aspiration remains to reach Level 3 at its next assessment although this would need to be kept under review.

**Resolved: To accept the report.**

A10/91

**Occupational Health and Safety**

The Committee considered the Occupational Health and Safety Report.

**Resolved: To accept the report.**

A10/92

**Hospitality, Gift and Sponsorship Policy**

The Committee considered the new Hospitality, Gift and Sponsorship Policy. The Chair emphasised that the purpose of the new policy was to protect and not to prohibit.

The Chair explained that the latest draft was based on the conclusions drawn by a sub-committee consisting of two Non-Executive Directors, the EDoD, MD, DCA and SMCA who had endeavoured to render the process of accepting gifts, hospitality and sponsorship as transparent as possible, whilst ensuring it remained practical. As a result, the latest draft refrains from introducing a requirement to submit a "Hospitality Declaration" or "Nil Return" at regular intervals by all Senior Managers of AfC grade 8a and above, a requirement that had featured in previous drafts. Under the latest draft, such regular declarations are only required by the Executive and Non Executive Directors; all other staff will have to declare the receipt of gifts, hospitality and sponsorship from Interested Third Parties when accepted and as and when they become involved in any procurement process relating to that Interested Third Party.

There followed a discussion as to whether or not the new rules would be sufficient so as to protect the Trust's reputation and it was agreed that they would, on the following basis:

1. The Trust has a separate procurement department which formally approves any procurement activity thereby limiting the risk of other staff to become a target for corruptive activities;

2. Staff receiving an invitation to visit the premises of an Interested Third Party will either have to request study leave, at which time the approval body has an opportunity to check that the planned activity does not bring the Trust into disrepute, or annual leave, in which case the Trust cannot gain control over the planned activity; and

3. It is accepted that the Trust cannot mitigate all risks of appearing dishonest/impartial without losing the ability to cooperate with Third Parties where this might be appropriate to do so (e.g. research).

**Resolved: To recommend endorsement of the new Hospitality, Gift and Sponsorship Policy by the Board subject to a change of the reporting requirement in para 5.5 from 12 months to 6 months.**

A10/93

**Quarterly Complaints Report**

The Committee considered the quarterly Complaints Report presented by the Patient Services Manager (PSM). It was agreed that it would be useful if, in future, the report could give a comparison between old and current performances. An update was requested in relation to Dermatology which had been visited by CR as part of the Clinical Governance audit.

The complaints process was proposed as an area for review. Departments with a high number of complaints should further endeavour to learn from departments with low numbers of complaints. The PSM explained that information gathered for this report is already shared with other departments in order to improve the Trust's performance (e.g. information on SUIs, inquests, etc. are fed back to the Risk Management Team).

**ACTION: PSM**

**Resolved: To accept the report.**

A10/94

**Compliance Report – Policy for the Development and management of Controlled Documents**

The Committee noted the content of the Compliance Report.

**Resolved: To accept the report.**

A10/95

**Single tender/quote approvals**

The Committee noted the 6 single tenders that have been approved. After questioning the approval of two single tenders, the Committee was satisfied with the approval process.

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**Resolved: To accept the report.**

A10/29

**Date of Next Scheduled Meeting**

Thursday, 18 March 2010 - THQ Board room  
Time: 10.30am – 1.00pm  
9.30am – 10.15am NEDs Pre-Meeting  
10:15am – 10:30am NEDs meeting with DCA



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**AUDIT COMMITTEE**

**Action list (as at 15<sup>th</sup> February 2010)**

| Minute                                      | Action  | Date                  | By       | Status |
|---|---|-----------------------|----------|--------|
| <b>Actions c/fwd from previous meetings</b> |   |                       |          |        |
| A08/024                                     | Update to Committee on the role of the Risk Advisers  | Early 2009            | DCA/HG   | Done   |
| A08/055                                     | A paper outlining the hospitality process for staff and consultants to be presented to the next Committee.  | Sept. 09              | DCA/MD   | Done   |
| <b>Actions from 4 September 2008</b>        |   |                       |          |        |
| A08/068                                     | The Director of Corporate Affairs to confirm that providing bank details of staff to the Audit Commission did not put the Trust at risk of breaching the Data Protection Act. | Sept. 09              | DCA/LCFS |        |
| <b>Actions from 6 November 2008</b>         |   |                       |          |        |
| A08/93                                      | Medium Term Plan – Principal Risks update report - DCA and HoG to review the report and its format with a view to improving the presentation for the next meeting.            | Sept. 09              | DCA/HoG  | Done   |
| <b>Actions from 12 February 2009</b>        |   |                       |          |        |
| A09/004                                     | External Audit Progress Report – DCA to consider whether any of these reports need to be presented to the BoG.  | March 09              | DCA      |        |
| A09/007                                     | To consider a Non-Executive Director within the membership of the New Hospital Commissioning and Move Group   | asap                  | NHPD     |        |
| A09/011                                     | A paper outlining the shortfalls of the current sickness absence monitoring to be presented to the next Committee.  |                       | HRD      |        |
| A09/012                                     | To change the parameters of the complaints performance quarterly report.  | Sept. 09              | DSD      |        |
| A09/013                                     | To reconsider the rating of the Information Security Management System within the High Level Monitoring Report.   | March 09              | DIT      |        |
| A09/015                                     | To review content of the Clinical Audit Report (Annual).  | Dec. 09               | HoG      |        |
| A09/016                                     | To review content of the Clinical Governance Activity Report (Quarterly).   | Sept. 09              | HoG      |        |
| A09/019                                     | To prepare a detailed paper regarding the necessary changes to the Hospitality Policy   | Sept. 09              | DCA      | Done   |
| <b>Actions from 19 March 2009</b>           |   |                       |          |        |
| A09/029                                     | To redraft and circulate the statement on internal control (SIC) to all Board members.  | Beginning of April 09 | DCA      |        |

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| Minute                          | Action  | Date        | By              | Status |
|---------------------------------|---|-------------|-----------------|--------|
| A09/030                         | To provide the Audit Committee with details on training schedules per staff group.  |             | DD              |        |
| A09/031                         | To draft a procedural document which defines when, how and by whom: <ul style="list-style-type: none"> <li>• target dates of recommendations can be changed and</li> <li>• recommendations can be re-assigned.</li> </ul> To ensure that significant and fundamental recommendations can be filtered out.<br>To record when a target date has been assigned to a particular recommendation. | Nov. 09     | SMCA            |        |
| A09/034                         | To redraft the two questionnaires assessing the effectiveness of a) the Committee and b) the External Auditors and to submit the same to all Committee members for completion.  | May 2009    | DCA             | Done   |
| <b>Actions from 7 May 2009</b>  |   |             |                 |        |
| A10/06                          | To check whether in light of the weaknesses identified by the privacy and dignity audit and SMART audit the draft SIC needs to be amended.  | May 2009    | DCA             |        |
| A10/06                          | To provide a brief narrative to explain the pie chart under section 2.7.  | May/June 09 | Mike Gennard    |        |
| A10/08                          | To provide further details as to when each investigation has commenced in the LCFS Annual Report and any future LCFS Progress Report.   | Sept. 09    | Bradley Vaughan |        |
| A10/12                          | To consider adopting new targets for certain matters within the Governance Framework Monitoring Report.   | Sept. 09    | DCA             | Done   |
| A10/16                          | To add the Research Governance Report to the Committee's work programme.  | Sept. 09    | DCA             |        |
| A10/17                          | To provide a comparison with other Trusts in future Health & Safety Reports.  | Sept. 09    | DCA             |        |
| <b>Actions from 6 June 2009</b> |   |             |                 |        |
| A10/25                          | To update the Committee on a specific representation on page 2 of the draft letter of representation relating to the carrying values of the Trust's lands and buildings.  |             | FD              |        |
| A10/26                          | To correct name misspelling on page 60 of the draft Annual Report.  |             | DC              |        |

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| Minute                                | Action   | Date      | By                | Status |
|---------------------------------------|--|-----------|-------------------|--------|
| A10/27                                | To amend the wording of the additional bullet point on page 12 of the SIC in the draft Annual Accounts for 2008/09.  |           | FD & DCA          |        |
| A10/28                                | To request the Internal auditors to undertake an investigation into certain operating theatres practices under the Trust's whistleblowing procedure and report to the Committee. |           | DCA               | Done   |
| <b>Actions from 17 September 2009</b> |  |           |                   |        |
| A10/33                                | To circulate the review of the Trust's 10 year plan among the Audit Committee members.   |           | KPMG              |        |
| A10/36                                | To provide a report of the clinical aspects of the investigation into operating theatres (refer A10/28)  |           | RSM<br>Tenon      |        |
| A10/37                                | To include in the LCSF report the date on which an investigation has commenced   |           | RSM<br>Tenon      |        |
| A10/39                                | To amend para 7.6 to clarify the issue regarding pay restraint   |           | FD                |        |
| A10/40                                | To review the format of the Recommendation Report with focus on recommendations which have not been implemented within agreed timescales.  |           | DCA               | Done   |
| A10/43                                | To review format of NHSLA Risk Management Report in order to render it more intelligible   |           | DCA               | Done   |
| A10/47                                | To review and submit to the Board the final annual Audit Committee Report  | Oct. 2009 | DCA               | Done   |
| <b>Actions from 5 November 2009</b>   |  |           |                   |        |
| A10/56                                | Update on migration of HR record into the electronic filing system.  | Feb. 10   | DD                | Done   |
| A10/56                                | Update on review of internal audit of review of Trust's investigation into issues at Selly Oak theatres raise by a whistleblower.  | Feb. 10   | CR/Chief<br>Nurse |        |
| A10/63                                | To provide a more detailed breakdown of the underlying causes of cancellation delay incidents.   | Feb. 10   | HoG               |        |
| <b>Actions from 11 February 2010</b>  |  |           |                   |        |
| A10/79                                | To assist the Finance department in obtaining clarity as to whether or not Trust needs to move from IAS standard 17 to IAS standard 39.  |           | KPMG              |        |
| A10/79                                | To amend slight inconsistencies of terminology used in the report.   |           | FD                |        |
| A10/80                                | To provide clarity on the notes related to whistleblowing.   |           | CN                |        |

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| Minute | Action   | Date | By     | Status |
|--------|--|------|--------|--------|
| A10/80 | To provide feedback to the DCA on the aspects to be included in the Assurance Framework Report.                                  |      | All    |        |
| A10/81 | To provide a detailed action plan with timescales for the IT Disaster Recovery Plan.   |      | DIT    |        |
| A10/82 | To consider root cause analysis.   |      | PSM/CN |        |
| A10/83 | To carry out an internal audit on recruitment checks.  |      | DCA    |        |
| A10/83 | To clarify the legal aspects of surveillance   |      | DCA    |        |
| A10/86 | To clarify why PDRS has been taken off the Governance Framework Monitoring Report  |      | SMCA   |        |
| A10/89 | To consider whether departments with good patient record management systems should share their experience with other departments |      | RMA    |        |
| A10/93 | To provide an update on Dermatology  |      | PSM    |        |