

EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST

REPORT TO:	COUNCIL OF GOVERNORS – 8 MAY 2015
SUBJECT:	INTEGRATED AUDIT AND GOVERNANCE COMMITTEE (IAGC) – Meeting 14TH April 2015
PURPOSE:	CHAIR'S REPORT - Information

**IN YEAR REVIEW OF QUARTERLY SELF-CERTIFICATION TO MONITOR
(COMPARISON OF PREDICTIONS TO OUTCOMES, Q2:Q3).**

The Trust Secretary presented a report that considered the accuracy of the forecast for Q2 2014/15 against Q3 performance. Some issues had not been expected, including the Cancer 31 Day Wait and the move from a CoSRR of 4 to a 3.

The Committee was informed that Monitor had accepted a trajectory for 18 Weeks and 61 Day Cancer recovery in two areas, and there needed to be a trajectory for A&E 95% performance, with accompanying evidence to demonstrate how it would be achieved.

The Committee asked why the Trust had failed to recognise the risk of non-achievement in two areas and whether lessons could be learnt about forecasting and was told that the operational teams would need to investigate this. Further, there were a number of significant one-off issues that occurred this year that could not have been predicted or were beyond the Trust's control, e.g. a change in RTT rules which caused difficulties nationwide, and the Aseptic Suite problems. Moreover, the Cancer 31 Day activity quite often related to small numbers, although the Trust needed to be more resilient around delivery and the Quality Committee would be carrying out a deep dive into that particular target.

ANNUAL REPORT 2014/15

The IAGC considered the latest draft text. Much of the discussion centred on the inclusion of the CQC report and its tone. It was noted that the Chairman in the Foreword would make reference to it and it would also be included in the Annual Governance Statement and the Quality Report. There would be a balanced view about the Trust being in Special Measures and this year's Report would also allude to the fact that the last Annual Report and Quality Report had mentioned that the inspection had taken place but the Trust was still awaiting receipt of the CQC Report. It would also reference progress of the key areas outlined and report on the external reviews that had since taken place (PWC, KPMG and Deloitte).

The Committee asked whether the CQC Report should be shown as a separate section, but it was advised that a number of other Annual Reports of trusts in Special Measures had been reviewed and Basildon Trust's handling of it as a narrative rather than data and findings was thought to be appropriate.

The Committee then discussed the Annual Governance Statement, which was nearing completion. There needed to be assurance that the tone was appropriate and that no areas had been omitted. It had been issued to both the External and Internal Auditors and feedback had been received. The key section that needed to be strongly reflected related to compliance with Monitor's Licence conditions. The Trust Secretary had reviewed a number of Annual Governance Statements by other Trusts under breach of Licence and they had all attempted to strike a balance to explain their original situation and what steps had since been taken. Therefore, all the areas

under Special Measures had been reviewed and a list compiled of actions taken and this would be included. In addition the Committee agreed that the Finance risk be strengthened in view of the deterioration during the year.

The Trust Secretary presented the draft Corporate Governance Statement and the draft Provider Licence; attempts had been made to include all the evidence in place to support where the Trust was compliant, and the actions in place to support the areas in breach of Licence. The Board would need to sign this as a statutory declaration for Monitor and feedback was welcomed on the accuracy and evidence. In addition, discussions had taken place with KPMG about the reporting of breach of the Provider Licence and the possibility of qualifying the External Audit Opinion in this respect.

The Committee then discussed the Quality Report and noted that the validated position of some targets was expected imminently although some cancer data would be late as the Trust was dependent on other organisations. The Governors had already seen the current version and gave some positive comments on the report's construction. The Governors and Commissioners would be provided with an updated version on 15 April, which would provide them with 30 days to feed back their opinion to enable it to be incorporated in the report for submission to Monitor on 30 May.

REVIEW AGAINST FOUNDATION TRUST CODE OF GOVERNANCE

The IAGC noted the statements against all provisions as well as the report, and recommended that the Board review this statement.

CORPORATE RISK REGISTER – TOP 10

The Committee heard a report on the Corporate Risk Register.

One of Deloitte's recommendations about creating a database for the Corporate Risk Register had been progressed, and it now included all the risks on the Corporate Risk Register plus two Divisions' risks.

There was a new risk around H&S non-compliance, which had been discussed by the Board. The emerging risks relating to KPP would be added to the Corporate Risk Register, but would be an aggregation of risks alongside the new KPP CEO's review of their own risk register.

Work was on going into a potential patient safety risk associated with the treatment of Cholesteatoma. Some patients would require complex revision surgery and the scope of the risk needed to be understood.

The number of changes to the Board and the loss of corporate memory/experience might be considered as a risk and this was mentioned in the Deloitte report. In addition, the Committee did not believe the 'going concern' risk was clear and asked Finance to liaise with External Audit on this when working on the accounts, for assurance, particularly in light of the deterioration in the financial situation, the non delivery of CIPs and the increasing financial challenges.

Finally, the Committee queried the appropriateness of the decision taken at the Management Board Meeting not to add some risks onto the register, but were reassured that all Board Committee members and Non Executive Directors were encouraged to comment on risks and challenge whether they should be added to the Corporate Risk Register or not. An update on emerging risks and their mitigations were also given to the Board each month. NEDs' views were important because they may perceive risks in a different light to those working with them daily.

It was agreed that a Board workshop on the subject of Corporate Risk might prove very useful in the debate about how risks are managed, discussed, escalated and to which forum, register etc.

INFORMATION GOVERNANCE TOOLKIT AND WORK PROGRAMME (END OF YEAR SUBMISSION)

The Committee noted that the submission was delivered at the required level 2 and there was a slight increase on overall performance over the last year, in spite of the fact that there were some quite significant changes to some of the criteria.

ACCOUNTING POLICIES AND PROCESS UPDATE

The IAGC noted that there were no changes to the Accounting Policies, the timetable and the key accounting issues.

STANDING FINANCIAL INSTRUCTIONS

The Committee were told that the Board last approved the SFIs in 2012, although they should be subject to annual review, but it was given assurance that the Trust had not suffered as a result of the lack of annual review. The verbal update was noted. The final SFIs would be taken to the July IAGC, July Finance & Investment Committee and August Board meetings.

LOSSES AND SPECIAL PAYMENTS REPORT

IAGC noted that there had been an increase in special payments this year, the majority being with regard to the Aseptic Suite's stock write-offs. Results of a stock-take identified a further loss of £542.5k, in addition to the earlier reported write-off, making a write-off of about £1.6m in total in the year. Poor governance including lack of SLAs etc., staff turnover and poor leadership had all been identified as contributors to the loss/write-off. The Committee was advised that the "missing" stock was probably issued to patients, but not booked out or coded. In addition, wastage occurred for a number of reasons, e.g. deterioration of the patient making further provision inappropriate (even though the drugs had been produced), and technical issues as the system could count tablets but not millilitres of drugs (chemotherapy). There was no suspicion of fraudulent behaviour, particularly since the "missing" drugs were not the type of drugs (chemotherapy) that were likely to be sold illegally.

However, robust mechanisms for stock-checks had now been put in place, and Internal Audit had been asked to review the Aseptic Suite procedures. The arrival of an experienced new Aseptic Manager, some other appointments and the development of training packages provided more confidence.

Later in the meeting, the Committee received a more in-depth presentation that covered the history, financial governance, next actions and the recommendation regarding the manufacturing licence of the Aseptic Suite. The plan was to re-start manufacturing the Trust's own drugs under the Medicines Act Section 10 Exemption by the end of June 2015, starting with a small amount of clinical trial work and focusing later on the high cost items with a short life-span that were subject to wastage. The Specialist Services' business plan included commitment to starting manufacture at that time.

2014/15 CLINICAL CODING AND COSTING AUDIT

The Committee heard a report regarding a 2014/15 coding and costing audit undertaken by Capita CHKS on behalf of Monitor.

The general conclusions regarding case notes were that they were difficult to navigate, were of poor quality, clinical information was filed out of date order, there was a lack of depth of information regarding certain (largely secondary) diagnoses,

and co-morbidities were not specified in detail. However, the Auditors believed that the Coding Team performed well in difficult circumstances and the Trust was in line with other Trusts. It was not possible to verify that the activity in the audit sample had been coded correctly or incorrectly, but it was estimated that the value of these possible errors could equate to approx. £8k, which was thought to be minimal in terms of the level of the Trust's finance. However, the audit indicated that the Trust was likely to be under-charging and it was agreed that the CCGs should be made aware of this.

More importantly, the case notes issue indicated that there was a (potentially greater) patient safety impact and there needed to be continued improvement and engagement with clinicians to ensure that documentation was more accurately and efficiently completed. The IAGC highlighted the lack of a Health Records Committee Chair, which was a clinical quality and patient safety risk. It was important that a clinician was identified who would drive the improvement in quality in as well as the structure of healthcare records.

CLINICAL AUDIT PROGRAMME 2015/16

IAGC was given a report and the Clinical Audit Programme for the Clinical Divisions for the coming year.

The principal aims of the new programme were:

- clinical audits should be more closely linked with outcomes
- to encourage greater engagement of Medical Directors
- Clinical Support Services would be given more focus
- a move from individual audits to Divisional and Corporate ones.

The discussion centred on the need for the Trust to be more challenging about the need for audits, particularly small, local audits that might be based on an interest rather than a clinical governance need. Resources were a key issue.

IAGC confirmed its support for the Clinical Audit Programme.

AUDIT REPORTS

The Committee heard reports from the External and Internal Auditors and the Counter-Fraud Specialists.

1. KPMG reported that the interim audit had been completed and that there were no issues of concern to date. The audit process for the final accounts had commenced in line with the previously agreed timetable.

2. Baker Tilly summarised their internal audit work during the past year and reported 3 amber/red rated reports:

- IT network access security
- Procurement and stock control on gas cylinders
- Divisional financial governance

All had been previously reported and progress made on each. Overall, the Internal Auditors will be giving a Significant Assurance Opinion.

3. TIAA delivered their Counter Fraud progress report for 2014/15 and outlined the Counter Fraud Work Plan for 2015/16, which was similar to that for the current year.

IAGC WORK PROGRAMME

This was noted and comments sought.