Agenda 20/10

West Hertfordshire Hospitals NHS
NHS Trust

Minutes of Audit Committee Meeting

8 December 2009

Meeting Room, Royalty House

Committee Members

Colin Gordon (CG)	Chair, Non-Executive Director
Sarah Connor (SCr)	Non-Executive Director
Stuart Lacey (SL)	Non-Executive Director
Mahdi Hassan (MH)	Non- Executive Director

Also attending

Michele Salter (MS)	Interim Director Finance
Phil Bradley (PB)	Deputy Director of Finance
Dave Self (DS)	Financial Controller and Capital Accountant
Dan Harris (DH)	IA RSM Bentley Jennison
Mark Trevellion (MT)	LCFS – RSM Bentley Jennison
Paul Dossett (PD)	EA, Grant Thornton
Richard Lawson (RL)	EA, Grant Thornton
David McNeil (DM)	Director of Corporate Affairs and Board Secretary

Joining the meeting for specific items

Patricia Duncan (PDu)	Risk Manager
Jane Barrett (JB)	Workforce Development Manager

Agenda Item	Comment	Action
	OPENING ITEMS	
01	**Chair's Opening Remarks** CG opened the meeting and welcomed the members of the committee and those in attendance. In particular, CG welcomed Sarah Connor to her first meeting as a Non Executive Director of the Trust.	
02	**Apologies** KC, RD, TM	

03	**Declarations of Interest** None reported	
04	**Minutes of the previous meeting** The minutes of the meeting on 15 September were approved.	
05	**Matters Arising and Action Log** • Income loss due to coding should have been an action for TM not MS. • The report on CRB checks would be presented at the next Committee. • Coding – MS said that this had improved significantly recently. All other matters were addressed by the agenda.	**TM**
	Operational Issues	
06	**New Governance Arrangements** MH said that the General Governance Committee (GGC) was now a formal sub-committee of the Board and would be considering 'risks' on a general basis and taking the opportunity to drill down in each risk. MH said that ensuring a good relationship with the Audit Committee would be key, to avoid any overlap of responsibilities. SL asked if the GGC would look at risks such as the PCT's financial position. MH responded that the GGC was not a copy of the Finance Committee, but would look to coordinate such risks with clinical outcomes. The Committee discussed further the roles of each of the committees and the terms of reference for each, in an attempt to avoid any overlap of duties/responsibilities. The general feeling was that there was a lack of clarity of the role of the GGC and that this needed further discussion. DM was asked to ensure there was time for discussion at the next Board development session and to arrange a pre-meet with all Chairs in advance.	**DM**

07	**Audit Reports with Limited Assurance - Appraisals** JB presented a paper to the Committee on the findings within the Internal Audit Report carried out by Trust Auditors in July 2009 and an action plan to progress implementation of their recommendations. The Trust targets for uptake of appraisals over the next three years are 70% March 2010, 85% March 2011 and 100% March 2012. The issue of appraisal was discussed and the Committee still had some concerns. They therefore asked that an update paper be taken to the January Board.	**SC**
08	**Board Assurance Framework** The latest edition of the BAF was presented by CJ. He said that A&E 4 hour waits and delayed discharges were some of the biggest risks currently facing the Trust. CJ added that the Trust is meeting weekly to resolve these issues. CG said that the committee recognised the risks and the assurance that the Trust had a process in place to resolve them. SCr asked about the linkages between the BAF and the risk register. CG said the BAF had strategic business risks, but agreed the link could be clearer. PD agreed but said that it was now much better than it was a year ago. The Committee approved the assurance framework.	
09	**Auditors Local Evaluation** PB said KLOE 4 had been subject to scrutiny by external audit.. CG said that he had expected a review of ALE overview rather than just KLOE 4. PD added that he had not identified any particular concerns over the level 3 KLOE's. CG thanked him for the assurance and said that it was important that the Board were not 'surprised' by a possible weak rating. PD assured the committee that the Trust was at level 3 overall. The Committee noted the progress made and looked forward to further updates towards achieving a level 4.	

	Governance and Risk	
10	**Risk Register** CJ said there are a total of 417 open risks on the Trust Risk Register as at 30th November 2009. The previous Audit Committee report, prepared on 27th August stated that there were 556 open risks so this has decreased by 139 risks. CJ said that there were still a lot of risks on the register and these needed further review. Two new risks: ▪ <u>European Working Time Directive (EWTD) for Clinicians</u>. Currently the Division of medicine is trying to reduce the number of clinicians exceeding the EWTD. Failure to meet the EWTD brings risks to achieving financial targets and risks to the quality of care. The proposed risk rating is 20. The risk management plan will be reviewed at BISE on 14 December. ▪ <u>A&E 4hr wait targets.</u> The achievement of the A&E 4hr target is at risk as a result of a seasonal increase in admissions and this appears to be linked to capacity issues. This poses a risk to the achievement of the Trust's targets and has a collateral risk of reducing the quality of care. The proposed risk rating is 20. The risk management plan will be reviewed at BISE on 14 December. The committee discussed the process and noted that a number of risks were past their review date. They asked for assurance that all the risks were reviewed on time. The Committee noted the report	**CJ/PDu**
11	**Divisional Risk – Women's and Children's** There are a total number of 24 risks on the WACS Divisional Risk Register. This number has increased by 1 since the last report. The number of midwives remains a risk although some have been recruited recently. SCr asked about the scoring of risk –i.e. was it scored at a 20 in the Divisional Risk register but maybe less when considered on the overall Trust risk register. CG said this may be the case and that this would be reviewed in	

	the light of recent changes to the process.	
12	**Local Counter Fraud** MT provided the Committee with an update on the work of counter fraud. There had been some fraud awareness training. The LCFS has now undertaken nine induction presentations since 1 April 2009 at Market Place Induction sessions delivering fraud awareness talks to new staff members. The number of staff spoken to at induction totals 437. These presentations ensure that new staff are educated about fraud and how to report it, as well as the consequences of committing acts of fraud. This provides a clear message that the Trust will not tolerate acts of fraud. The LCFS has concluded one exercise checking the out of hours timesheet claims of staff in the Estates Department. The LCFS is currently undertaking a proactive exercise looking at the ordering, installation and disposal of IT equipment at the Trust. The IT supplies exercise results and recommendations will be fed back to the relevant Trust Directors upon conclusion of the exercise. MH asked who made the decision to take no further sanctions in particular cases. MT said that where no fraud had been found, he would recommend no further action, in other cases he would ask the Trust to consider further action or seek support from the regional Counter Fraud team or the police. CG asked about the specific payroll case of an overpayment to a member of staff. MT said this had been referred to the Divisional Manager for consideration. MT said he would chase up the latest action and inform the Committee at the next meeting	**MT**
13	**Taking it on Trust** DM said that "Taking it on Trust" examines how the boards of NHS trusts and foundation trusts in England assure themselves that internal controls are in place and operating effectively. Monitor's concerns were about the quality and accuracy of the forward-looking self certifications made by some foundation trusts (FTs) for regulatory purposes; discrepancies between trust declarations of compliance with Standards for Better	

	Health and subsequent Healthcare Commission inspections; differences between statements on internal control (SICs) and core standards declarations; and some major failures in patient care, such as Maidstone and Tunbridge Wells NHS Trust and Mid Staffordshire. All revealed significant gaps between the processes on paper and the rigour with which they are applied. PD said that the Audit Commission had produced this and was something the Board needed to complete as it would form part of the ALE process. CG recommended that all Board members be asked to complete and for it to be reviewed alongside proposals for Board development in 2010.	**DM**
14	**HDD Refresh** DM provided information to the Audit Committee on the Historical Due Diligence (HDD) refresh element of the Foundation Trust application process. The main findings of the report were: <u>Governance</u> • Immature Board Committee Structure, particularly the GGC and Finance committees. • Risk management not applied consistently throughout the organisation with too many risk past their review date, and some risks on the register that did not seem to be risks. • An active and passionate Board that was committed to the Trust but a divergence of views emerged during interviews on whether the Trust was a standard DGH or should develop specialities. • Board also could not evidence where Strategy was discussed. • Trust needs to be more proactive in working with the PCT to find solutions for their financial position. • Membership shows a gap in the number of C2 socio-economic groupings. <u>Finance</u> • Concern that the over-performance this year may not be paid for by the PCT	

	• It was noted how much progress the Trust had had in developing its CIPs. However, a large proportion were income based and therefore more risky and many were non-recurrent. • Noticed on the I&E account that many of the items include, such as restructuring costs, may not be allowed by Monitor in the future. • Liquidity would be a challenge and it was noted that as yet the £7m had not been approved. • Backlog maintenance discussions need to be clear about the possible impact on clinical work. The Committee noted the reported update.	
	Reports of Limited Assurance	
15	None were received	
	Finance	
16	MS produced the report for October. The Committee also discussed the relationship between the Audit Committee and the Finance Committee and whether ToR needed to be amended. It was agreed this would be discussed at the Board session on the 17 December. The Committee received the finance report.	
17	**External Audit Progress Report** **IFRS restatement work** submitted their opinion to the Department of Health on 30 October 2009 and reported that there were no issues with the restatement of the 2008/09 Balance sheet. **ALE** EA have provisionally assessed the 'internal control' key line of enquiry in accordance with the 2009/10 ALE requirements. They found that the Trust has improved its arrangements since 2008/09 particularly in respect of the Assurance Framework and aspects of the risk management process. However, there are further evidencing requirements from the Trust, assessment of	

	relevance of evidence is required in certain instances and full population of the central spreadsheet. This will be subject to further audit in January 2010. An interim audit is booked for 11 – 22 January 2010. **Level 4 ALE process** The Audit Commission have determined that where a Trust reaches level 3 in ALE then other than revisiting existing assumptions, no significant detailed review is needed of ALE criteria. However the Trust requested a detailed review of the level 4 criteria in all aspects of ALE. The Committee discussed and CG said that he was reluctant to suggest the Trust spend money on an audit of level 4 compliance if not required. **Audit Plan** EA provided an audit plan for the financial year 2009-10. It set out the work to be carried out on the Trust's financial statements and a conclusion on the Trust's arrangements for achieving value for money. There will be no change to the Audit fee for 2009/10.	
18	**Internal Audit Progress Report** DH went through the IA progress report. SL asked for confirmation that all outstanding IA reports and recommendation had been signed off. DH said that they would provide a further report on this. SL continued that it was important to ensure the recommendations have beencompleted. CG added that is was extremely reassuring to get so many reports with so few recommendations and this was no doubt a credit to the effectiveness of the finance team. It was agreed to change the audit plan and drop the PFI review and replace it with a performance management thematic review in line with Monitor's requirements. SL asked if IA would be prepared to assist the Trust in drawing up or advising on changes to the ToR for the AC, GGC and FC. In relation to the Child Protection draft audit PB said that the Trust still need to provide additional evidence to IA on compliance with CRB checks. DH confirmed that they had examined a sample of checks in WACS and	

	could find no evidence that checks had been undertaken on 10 members of staff and, although this was likely to be an administrative process error, there was a limited assurance report in draft until HRT could provide robust data. CG said that this was serious and should be flagged to the Board. DM to ask SC to prepare a report for the January Board.	**DM/SC**
19	**Losses and Compensation** The schedule was noted	
20	**Gifts and Hospitality** The Committee received and noted a copy of the Gifts and Hospitality report for December 2009. It was noted that this had shown a great deal of improvement in this area, with many clinicians now reporting in, but there is still more to do.	
21	**Outstanding Audit Recommendations** PB presented a paper to the Committee and a RAG rated action plan to address audit recommendations. CG said that simply putting together a process or 'having a meeting' does not turn actions to green. SL said that the plan should also show a 'due date' against which action could be reviewed. CG said that it was a good step forward and the Committee looked forward to further reports. PB to refine the action plan.	**PB**
22	**Losses and Compensations** The Register was noted.	
23	**Waivers** The waiver register was noted and it was agreed that all had been signed off at the appropriate level.	
24	**AOB** At the next meeting in February it was agreed that the Committee would: • Review the annual work plan • Review the self assessment (Could/Should etc) completed in January 2010	**DM** **DM**

	• Review appropriate policies • Review draft IA Audit plan	**PB** **PB**
	Date of next meeting 9 February 2010, Executive Meeting Room, Watford General Hospital	

David McNeil
Trust Board Secretary
December 2009

Signed……Dated……

Colin Gordon, Chair & Non Executive Director