

**Minutes of Audit Committee Meeting**

**9 February 2010**

**Executive Meeting Room, Watford General Hospital**

**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**

Anna Anderson (AA)	Director Finance
Phil Bradley (PB)	Deputy Director of Finance
Dan Harris (DH)	IA RMS Tenon
Mark Trevellion (MT)	LCFS –RMS Tenon
Paul Dossett (PD)	EA, Grant Thornton
Richard Lawson (RL)	EA, Grant Thornton
David McNeil (DM)	Director of Communications, Corporate Affairs and Board Secretary
Patricia Duncan (PDu)	Associate Director of Governance & Risk

**Joining the meeting for specific items**

Sarah Childerstone	Director of Workforce
Tracy Moran	Interim Director of Nursing
Dr Cohen	Paediatric Surgeon
Jo Scott	Vulnerable Children Nurse/Trainer

Agenda Item	Comment	Action
	<b><u>OPENING ITEMS</u></b>	
01	<b>Chair's Opening Remarks</b>  CG opened the meeting and welcomed the members of the committee and those in attendance. CG said that this was his last meeting as Chair and would be passing over to Sarah Connor from the April meeting. CG thanked all the committee for their work under his chairmanship, particularly Phil Bradley and finance colleagues. The committee thanked CG for his leadership and hard work over the last few years.	

02	<b>Apologies</b>  KC, RD, CJ, DS	
03	<b>Declarations of Interest</b>  None reported	
04	<b>Minutes of the previous meeting</b>  The minutes of the meeting on 8 December 2009 were approved.	
05	<b>Matters Arising and Action Log</b> <ul style="list-style-type: none"> <li>Item 9 of the minutes should read "PD assured the committee that the Trust was <i>on target</i> for a level 3 overall "</li> <li>CRB checks - TM confirmed that this issue had been resolved and they had no further concerns</li> <li>A report on appraisals had not been given to the January Board and an update was still required. This would be raised by SC at the next DSG.</li> </ul> <p>All other matters were covered by the agenda.</p>	SC
	<b>Operational Issues</b>	
6	<b>Board Assurance Framework</b>  The latest edition of the BAF was presented by PDu.  SCr said that, as the same report had been taken to the Board a few days earlier, there seemed little value in going through it again and that this, along with finance report later, is perhaps a consequence of timing of the meetings.  CG asked if the risk around liquidity was being managed and if the Executive team were taking sufficient action. AA said the loan had been applied for and a decision was expected shortly. In addition, the Trust is doing all it can to reduce expenditure this year to increase its cash position. The Trust is working closely with each of the divisions and the majority of capital expenditure is being withdrawn for this year. More details will be presented at the Board session in February.  RD asked if the scores on the Estates risks were being	

	<p>reviewed and was concerned that a top down approach rather than a bottom up approach was still driving the risks. TM added that the committee should be challenging the effectiveness of the mitigation, or this could be left with the IRGC. TM also commented that a new audit committee handbook was being produced that may change some of the roles of the committee.</p> <p>PD said that although there had been improvements, the BAF still needed more work.</p> <p>The Committee noted the assurance framework</p> <p><u>Discussion on timings of the various meetings</u></p> <p>SCr said that the timing of all the committees needed to be looked at to avoid duplication. She suggested that the finance report should be one that focussed on variations from the main report to the Board. SL said that the finance committee should see the report in full and it could give assurance to the Board.</p> <p>AA asked what the audit committee would like to see in a finance report. Scr said this would need to be worked through, but SL suggested it could be something like the issue of the 'revaluation of assets' or any other major financial change.</p> <p>CG said that the view seemed to be that the Audit Committee should be 1 or 2 weeks before the Board to ensure it is best placed to provide the appropriate assurance. DM agreed to look at available dates and diaries</p>	DM
07	<p><b>Auditors Local Evaluation</b></p> <p>PB said KLOE level 4 was being reviewed and the current view is that the Trust should receive 2 level 4s (finance reporting and financial standing) and level 3s in all the others. This would mean the Trust remains at Good rather than Excellent.</p> <p>The view of the committee that to consolidate at the level of Good felt appropriate for this year.</p>	
08	<p><b>Local Counter Fraud</b></p>	

	<p>MT provided the Committee with an update on the work of counter fraud.</p> <p>On the staff annual survey, the majority of staff had received their fraud awareness training. However, some of the longer-term members of staff may need to receive refresher training. SCr asked how much this would cost and MT said it was a short online questionnaire and therefore cost effective in terms of money and time.</p> <p>SL asked if the charts/graphs presented in the paper could be consistent and not in 3D</p> <p><u>Progress Report</u></p> <p>The report was taken as read and questions to be taken on specific issues.</p> <p>MT highlighted that progress had been made on the Payroll fraud that the committee had previously expressed an interest in. The person concerned had been traced to New South Wales, where enquiries were continuing.</p> <p>CG asked if on the chart of reactive work undertaken, the Trust could have a £value column of what was lost or at risk. CG also asked what the contrast was on expenditure against investigations compared to other work. TM said that there was not normally a budget set for investigations and these were negotiated as they arose. PB said that there is an amount set aside in the budget each year and that the Trust is in dialogue with the LCFS about any investigations that arise.</p>	<p>MT</p> <p>MT</p>
09	<p><b>Admitted Care Coding Audit</b></p> <p>PB presented a paper, commissioned by the PCT, on clinical coding. This showed that the Trust was doing better than in previous years, with very low error rates compared to the average. Actions are in place to cover all the recommendations.</p> <p>CG said that it was good to see that the Trust had improved.</p>	
	<b>Governance</b>	

10	<p><b>Terms of Reference</b></p> <p>These were approved. There was a question over whether the committee had a role in 'managing' risk and whether this should changed to 'minimising'.</p> <p>As the new AC handbook was being published shortly, which may change the responsibilities of the committee, it was agreed to wait before any further changes were made.</p>	
11	<p><b>Policies</b></p> <p>The following policies were reviewed:</p> <ul style="list-style-type: none"> <li>• Standing Orders</li> <li>• Standing Financial Instructions</li> <li>• Scheme of Delegation</li> </ul> <p>Following a review of each, it was agreed that they required a few amendments and would be presented for approval at the May Board.</p> <ul style="list-style-type: none"> <li>• Counter Fraud Policy</li> </ul> <p>This was reviewed and recommended for approval by the Board at its March meeting</p>	
	<b>Reports of Limited Assurance</b>	
12	<p><b>Child Protection – a draft report</b></p> <p>Although still in draft, the Committee felt it a serious enough issue to take in advance.</p> <p>An audit of Child Protection was undertaken as part of the approved internal audit plan for 2009/10; this was brought forward from 2010/11 at the request of the Audit Committee. The report provided a limited assurance for two main reasons.</p> <ul style="list-style-type: none"> <li>• The first is that prior to the audit no system was in place to determine what percentage of the required staff had received the relevant level of safeguarding training.</li> <li>• The second weakness was that the Trust had not received any assurance as to whether the GP's working at the Urgent Care Centre had been subject to CRB checks or had received</li> </ul>	

	<p>safeguarding training. This would present a serious reputational risk to the Trust, even though these individuals are not employed directly by the Trust.</p> <p>CG asked the committee, and those attending for this item, if there were any problems with the accuracy of the facts. No one present contested the accuracy of the facts presented. TM said that since this report was presented in draft at the December Audit Committee a number of discussions had been held with management but after careful consideration they were still only able to provide limited assurance on this topic.</p> <p>PB said that the UCC is a PCT run service and not one the Trust runs, the Trust does not employ the GPs. This point was re-emphasised by Jo Scott and Dr Cohen. SC added that the contract requires that this should be a PCT responsibility. However, TM said that if something went wrong, it would be the Trust that was held accountable and would face a loss of reputation.</p> <p>SC said the report was helpful, as it would ensure the Trust explored this issue thoroughly with the PCT. CG said that this was not a criticism of those involved in safeguarding but it was of a sufficiently high reputational risk that the Committee should bring it to the Board's attention. SL said that it was good that the internal auditors had raised this and that it was important to get clarity around responsibilities as soon as possible.</p> <p>Dr Cohen added that although this is about children in the UCC, they may be triaged and passed to the Out of Hours service or the GP led health centre – neither of which is anything to do with the Trust. MH said this was very important and indicative of the Trust needing to take a wider view of operational risks. SCr said that this might also apply to other areas where the Trust deals with vulnerable patients.</p> <p>The Committee also discussed the need for clearer data on training. CG said that the Committee could only inform the Board at this stage that there was no assurance from the data that all staff were receiving safeguarding training.</p> <p>Jo raised the particular risk identified at 3.10 regarding receiving, handling, storage and disposal of child protection lists. She said that Children, Schools and Families (CSF) at the County Council sent the lists and they refused to send them in any other format. CG suggested that advice be sought from the Information Commissioner.</p>	
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	CG thanked everyone for their time and said he was impressed by their dedication to safeguarding children. He informed them this would be raised with the Board and it would include a comment about the possible lack of resources there seems to be in providing training.	
	<b>Finance</b>	
13	<p>AA presented the finance report.</p> <p>CG asked if there was anything additional that needed to be raised with the Committee. AA said that liquidity remained an issue but that the loan had been applied for.</p> <p>The Committee received the finance report.</p>	
14	<p><b>External Audit Progress Report</b></p> <p>The interim audit is currently underway and will be reported at the next audit committee.</p> <p>The ALE assessment has been programmed in for March and indicative scores will be reported at the next audit committee.</p> <p>The previous audit committee requested a breakdown of the fee charged for the Trust being assessed for level 4 criteria.</p>	
15	<p><b>Annual Audit Fee</b></p> <p>The total indicative fee for the audit for 2010/11 is £152,000 (excluding VAT), which compares to the planned fee of £161,000 for 2009/10</p> <p>The caveat on these fees are:</p> <ul style="list-style-type: none"> <li>the ALE process for 09/10 and the accounts audit for 09/10 does not identify any problem areas.</li> <li>The fee for moving to Quality Accounts has not been included.</li> </ul> <p>Use of resources at NHS Trusts will continue to be assessed under the ALE framework for 2010/11. For 2010/11 it is proposed that ALE will continue to be used to assess poorly performing bodies but for those which are closer to achieving foundation trust status the Audit</p>	

	<p>Commission are developing a methodology which is more closely aligned to the Monitor approach in order to support NHS Trusts in their preparation for Foundation Trust status.</p> <p>AA asked if there was anything that the Trust could do to further reduce costs next year. PD said that if the Trust reached level 4 on financial accounting, the fee might be reduced.</p> <p>The Committee approved the audit fee.</p>	
16	<p><b>Internal Audit Progress Report</b></p> <p>DH went through the IA progress report and mentioned that during a recent merger they had changed their name to RMS Tenon. It would still be the same team available to the Trust.</p> <p>Four reports have been completed since the last Committee meeting;</p> <ul style="list-style-type: none"> <li>• Charitable Funds.</li> <li>• Creditor Payments</li> <li>• Clinical Stocks</li> <li>• Risk Maturity</li> <li>• Bank and Agency Staffing</li> </ul> <p>Reports on these were reviewed.</p> <p>The following <b>2009/10</b> reports are at draft report stage:</p> <ul style="list-style-type: none"> <li>• Claims &amp; Litigation Advisory Review</li> <li>• Follow Up</li> <li>• Child Protection (revised draft report)</li> <li>• Mandatory Training</li> </ul> <p>The Committee noted the report.</p>	
17	<p><b>Strategy for Internal Audit</b></p> <p>The plan has been updated following discussions with the Director of Finance, Deputy Director of Finance, Director of HR, Director of Strategy and the Director of Partnerships, and taking into account concerns identified by the Audit Committee as well as changes in the organisation's risk profile.</p> <p>In 2009/10 they undertook a review of the organisation's risk maturity and concluded that West Hertfordshire Hospitals NHS Trust is a "risk defined" organisation. Therefore they are able to place reliance on the Trust's risk registers and assurance framework to inform the</p>	



	<p>update of the internal audit strategy.</p> <p>CG asked why Decontamination, which had been subject to a number of discussions, was still included. TM said it was to ensure the committee had a grip on the issues and could offer assurance to the Board.</p> <p>The issue of the timing of some of these audits was discussed. TM said that these should be viewed as indicative and subject to change.</p> <p>Other areas that may be missing from the programme, Performance and Cash, were discussed. TM said he would take away the comments and will bring back a refreshed programme.</p>	
18	<p><b>Losses and Compensation</b></p> <p>The schedule was noted</p>	
19	<p><b>Waivers</b></p> <p>The waiver register was noted (but the colours needed to change) and it was agreed that all had been signed off at the appropriate level.</p>	
20	<p><b>Outstanding Audit Recommendations</b></p> <p>PB presented a paper to the Committee and a RAG rated action plan to address audit recommendations.</p> <p>The Committee reviewed the outstanding audit recommendations and said that it was unacceptable to miss agreed deadlines. The Executive responsible would be asked to attend Audit Committee and explain why if things did not rapidly improve.</p> <p>The Committee asked that a copy of the outstanding recommendations be appended to the committee's annual report and also to the minutes going to the Board.</p>	
21	<p><b>Gifts and Hospitality</b></p> <p>The Committee received and noted a copy of the Gifts and Hospitality report for February 2009.</p>	
24	<p><b>AOB</b></p> <ul style="list-style-type: none"> <li>• SCr had recently attended an Audit Commission</li> </ul>	

	<p>seminar which included feedback on issues at Colchester and Basildon &amp; Thurrock and would circulate the papers to the committee.</p> <ul style="list-style-type: none"> <li>• MH reported that the IRGC was new but was beginning to find its feet. He said that there was a good risk policy in place and risk committee were beginning to work. However, he said there was still some silo working (and thinking) about the relativity of risks across divisions. MH said there had been some good quality discussions in the committee and expected this to continue. The IRGC will make a formal report to the AC at each appropriate meeting.</li> </ul>	
	<p><b>Date of next meeting</b></p> <p><b>13 April 2010, Executive Meeting Room, Watford General Hospital</b></p>	

**David McNeil**  
Trust Board Secretary  
December 2009

**Signed.....Dated.....**

**Colin Gordon, Chair & Non Executive Director**