

**Agenda Item 57/11**

**Minutes of Audit Committee Meeting**

**13 January 2011**

**Executive Meeting Room, Watford General Hospital**

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**Committee Members**

Sarah Connor (SC)	Chair, Non-Executive Director
Mahdi Hassan (MH)	Non- Executive Director
Stuart Lacey (SL)	Non-Executive Director

**Also attending**

Anna Anderson (AA)	Director Finance
Colin Johnston (CJ)	Medical Director
Dave Self (DS)	Financial Controller
Patricia Duncan (PDu)	Assistant Director of Governance & Risk
Dan Harris (DH)	IA RSM Tenon
Mark Trevallion (MT)	LCFS RSM Tenon
Paul Dossett (PD)	EA, Grant Thornton
Richard Lawson (RL)	EA, Grant Thornton
David McNeil (DM)	Director of Communications & Corporate Affairs

Agenda Item	Comment	Action
	<b><u>OPENING ITEMS</u></b>	
01	<b>Chair's Opening Remarks</b>  SC opened the meeting and welcomed the members of the committee and those in attendance. SC said that due to other diary pressures, it would be necessary to move some of the agenda items around. It was noted that the Committee membership is now reduced to 3 NEDs as recommended to the Board and approved in September.	
02	<b>Apologies</b> TM, PB	
03	<b>Declarations of Interest</b> None reported.	

04	<b>Minutes of the previous meeting</b>  The minutes of the meeting on 14 September 2010 were approved.	
05	<b>Matters Arising</b> <ul style="list-style-type: none"> <li>All are cleared or covered by the agenda</li> </ul>	
	<b>Ensuring Quality and Governance</b>	
06	<b>Counter Fraud Progress Report</b>  MT presented a report giving an update on all counter fraud matters relating to West Hertfordshire Hospitals NHS Trust during the period 1 April 2010 to 31 December 2010.  The report: <ul style="list-style-type: none"> <li>summarised the outcome of work completed to date against the agreed workplan;</li> <li>highlighted current counter fraud matters that the Audit Committee should be aware of; and</li> <li>provided data in support of LCFS performance.</li> </ul> The future workplan for counter fraud would be discussed with AA and PB and there was some discussion on individual cases.  MT also informed the committee that he would be bringing to the next committee new policies regarding the changes being introduced by the Bribery Act 2011 in April 2011. DM confirmed that a paper was going to the Board in January for information.  MT said that the qualitative assessment of work in the Trust had shown that it was at level 2 and this was in line with most other Trusts. The committee discussed the assessment and felt that perhaps the report to the national counter fraud assessment team could have been presented in more detail – it seemed from comments that some evidence had not been provided or there was some confusion over the wording. MT agreed to discuss this with the CF team and report back.	MT DM       MT
07	<b>Integrated Risk &amp; Governance Committee</b> MH updated the Audit Committee on the recent IRGC meeting.  MH said that there was now a strong link between the divisional risk registers and the BAF, which was	

	<p>encouraging. More work was required to begin to spot risks in advance and align the divisional risk with patient pathways.</p> <p>MH said that the IRGC was now working well and discussions were now focussing on moving from good to excellent.</p> <p>The requirements of meeting NHSLA standards are well structured and it's clear what needs to be done.</p>	
08	<p><b>Finance Report</b></p> <p>DS introduced a paper relating to the annual revaluation of the Trust's land and buildings. The purpose of the paper being to inform the Committee as to the outturn of the revaluation exercise (an impairment of £12.4m), remind the committee as to the related accounting policy and explain why the impairment was so different to that forecast at the beginning of the year.</p> <p>The Committee noted that the Trust, in line with other NHS organisations, uses through its appointed Valuers the modern equivalent asset valuation technique to value land and buildings. The impairment related to a fall in building value and the relative little added value resulting from the capital spending over the last year. £5.7m of the total impairment will affect the Trust's reported position for the year but this will not affect the Trust's breakeven duty or performance against meeting the planned surplus.</p> <p>SC asked what would be the impact of property values going up. DS responded that the Trust would benefit accordingly.</p>	
09	<p><b>Tender Process</b></p> <p>AA presented a paper from HSMC regarding the rigour of contract renewals by HSMC. The committee discussed the paper and in particular the ability to use national framework agreements.</p> <p>SL asked who should be held to account for 'waiving' and not going out to tender. AA said that would be the CEO, Director of Finance or Assistant Director acting on behalf of the DoF. The committee discussed why in some cases waivers were agreed and not in others. SL said that it would be useful to have an explanation attached to the schedule of waivers. SC added that it would also be useful to have the relevant part of the SFIs attached.</p> <p>AA agreed to provide more detail on the waiver schedule</p>	AA

	<p>for items in excess of £50k.</p> <p>SC asked if the Trust has a register of contracts to monitor when tender exercises might be required. DS said HSMC was in the process of compiling a list.</p> <p>SL said that it important to challenge contract renewals , particularly around IT as negotiating contracts could end up proving better value for money in the current economic climate.</p> <p>IA to consider adding a review of contract payments in their work programme.</p>	DH
10	<p><b>Board Assurance Framework (BAF)</b></p> <p>PDU said that risks had been updated since the previous Audit Committee meeting, but that it was still to be viewed as ‘work in progress’ and would be fully updated for the January Board. New risks had been added – Flu and NHSLA.</p> <p>PDU said that the Trust was looking at the possibility of updating Datix software to improve reporting of risks</p> <p>The Committee had no issues with any of the individual risks.</p>	
11	<p><b>CQC Registration</b></p> <p>PDU presented a CQC assurance report, which provided an overview of the Trust’s assurance against the CQC Essential Standards of Quality and Safety.</p> <p>The committee considered:</p> <ul style="list-style-type: none"> <li>• Outcome 17 complaints</li> <li>• Outcome 11 Safety, availability and suitability of equipment</li> <li>• Outcome 10 Safety and Suitability of premises</li> </ul> <p>PDU also informed the committee of two recent unannounced visit from the CQC – one in the UCC at Hemel and the other to A&amp;E in WGH. There was no feedback at the end of the visit so it is assumed there were no major concerns to report.</p> <p>The committee noted the changes to the Quality Risk Profile</p>	
12	<p><b>Risk Management Strategy</b></p>	

	<p>PDu presented the Risk Management Strategy for the management of risk throughout the Trust which had recently been reviewed and updated by IRGC.</p> <p>It set out the:</p> <ul style="list-style-type: none"> <li>• Aims and priorities for risk management</li> <li>• Structure for risk management</li> <li>• Responsibilities for risk management</li> <li>• Processes for risk management</li> </ul> <p>Following discussion on the strategy, there were a few minor changes. However, the Audit Committee were content to recommend it go forward for Board approval (subject to the minor alterations being completed)</p>	
13	<p><b>Clinical Audit</b></p> <p>CJ presented a paper on the Trust's plan for clinical audit. He said there had been many changes introduced recently and the audit was now considerably advanced for 2011/12 compared with the previous year. He confirmed that this was driven 'bottom up' and owned by each of the Divisions, but emphasised the need to now hold them to account to deliver.</p> <p>SC asked what assurances the committee could take from this new programme. CJ said that it will ensure that individual clinic practice is appropriate.</p> <p>SC asked if any issues identified would be put on the risk registers or the BAF. CJ responded that this would occur when appropriate.</p> <p>PD added that, coupled with the assurance provided by IA and EA reports, this will provide the committee with a triangular approach to ensure everything is as it should be.</p> <p>SC asked for assurance that any shortcomings identified during the Audit would be reported to the Committee. CJ confirmed this would be the case.</p> <p>The Committee noted the paper.</p>	
14	<p><b>Statement of Internal Control (SIC)</b></p>	

	<p>PDu presented an early draft of the SIC – noting that guidance from DH/SHA on what needed to be in this year's SIC had not yet been received. PD said that it was important to understand the gaps in control that should be included.</p> <p>PD said that the gaps would normally be any red rated risks (where they are material).</p> <p>The committee thanked PDu for sharing it at this stage and looked forward to receiving an update at the next meeting after it had been shared with the CEO and DSG.</p>	<b>PD</b>
15	<p><b>External Audit Report</b></p> <p>RL introduced a paper outlining:</p> <p><b>Audit of Quality Accounts</b> In 2009/10 all Foundation trusts were subject to an audit of their overall arrangements for Quality Accounts as well as detailed testing of specific indicators.. The DH are currently considering whether to introduce such a process for NHS trusts in 2010/11 and some pilot work is taking place. Given the likelihood of this work taking place and the Trust's anticipated transition to FT status in 2011, audit of Quality Accounts is included their audit plan.</p> <p><b>Disbanding of the Audit Commission</b> Audit arrangements will continue in the current format for the financial years 2010/11 and 2011/12. However the transition process is proving more complex than anticipated and its likely than any transfer of responsibilities to other regulators may take longer than anticipated and the Commission may well be appointing auditors and exercising other statutory functions in 2012 and beyond. The Trust will fall under the Monitor regime if FT status is achieved</p> <p>PD introduced the audit plan for the financial year 2010-11 for the Trust. It set out the work to be carried out in discharging their responsibilities to give an opinion on the Trust's financial statements and a conclusion on the Trust's arrangements for achieving value for money.</p> <p>PD said that the demise of the Auditors Local Evaluation (ALE) means that they will be taking a closer look at the Trust Medium Term Financial Plan. PD also said that the audit fee was reducing, which reflects the improvements the organisation has been making.</p>	

16	<p><b>Internal Audit</b></p> <p>DH presented the IA progress report that showed that eight reports from the 2010/11 Audit Plan had been completed since the last Audit Committee. These cover:</p> <ul style="list-style-type: none"> <li>▪ PAS Review (2.10/11) ;</li> <li>▪ Follow Up of Cancer Services (6.10/11);</li> <li>▪ Incident Reporting (7.10/11);</li> <li>▪ Cancer Service Review – Record Keeping (9.10/11);</li> <li>▪ Cancer Service – Multi Disciplinary Team Work (12.10/11);</li> <li>▪ Asset Management (13.10/11);</li> <li>▪ General Ledger (15.10/11); and</li> <li>▪ Payroll (16.10/11).</li> </ul> <p>There had been one red rated report “Medical Devices Management” which would figure in the HOIA report.</p> <p>The review of Appraisals identified that the Trust was under reporting compliance with appraisals policy. Currently, data is not appropriately adjusted to take into account starters, leavers and those on long term leave. As a result, the Trust is currently reporting the appraisal compliance rate as 48%. <u>Our testing identified that this was much higher and in excess of the 80% target rate</u></p> <p>The IA plan for 2011/12 will be presented to the DSG on 9 February. The plan would include a review of IT infrastructure and data capture.</p> <p>SC said that there seemed to be some gaps where draft reports had not been issued or no comments received. It had been agreed at a previous AC meeting that these would be chased by IA – it was disappointing to note that there were a number that should have been reported to this AC. DH agreed to look at what the hold up had been.</p>	<p>DH</p> <p>DH</p>
17	<p><b>Proposed approach to future audits</b></p> <p>DH said that RSM Tenon had provided the Internal Audit service to the Trust for a number of years, with the existing 3 year contract coming to an end at 31st March 2011. However, the Trust does have an option for a 2 year extension.</p> <p>DH said that he felt RSM Tenon had built excellent working relationships with a number of Directors over the</p>	

	<p>period of tenure and have recently worked closer with DSG to develop work plans.</p> <p>SC said that it was important that the cost of each audit was clear and how it was based on skill mix. AA added that it was also important that the Trust understood the skill mix being used on the audit to ensure it was getting VFM.</p> <p>The committee thanked DH for the paper which would form discussions during the private part of the meeting.</p>	
18	<p><b>Losses and Compensation Register</b></p> <p>Following discussion on some of the items the register was received and noted. It was also agreed that patient names could be removed.</p>	DS
19	<p><b>Waiver Register</b></p> <p>Discussed under previous agenda item 09.</p> <p>The register was approved.</p>	
20	<p><b>Outstanding Audit Recommendations</b></p> <p>It was noted that all outstanding recommendations had the appropriate action plans in place.</p>	
21	<p><b>Gifts &amp; Hospitality Register</b></p> <p>The register was noted. DM was asked to contact the Post Graduate Centre to confirm if clinicians were recording things with them that were not reaching the committee.</p>	DM
22	<p><b>Register of Interest</b></p> <p>Noted</p>	
23	<p><b>Review of Audit Committee Handbook</b></p> <p>SC introduced a presentation that had been prepared for the committee by DM on the changes being introduced in the new AC Handbook.</p> <p>The handbook states that Audit Committees:</p> <ul style="list-style-type: none"> <li>◦ Have a broad remit encompassing clinical, financial and all operational risks.</li> <li>◦ Recognise the pivotal role the Assurance Framework should play in managing the organisation's strategic objectives.</li> <li>◦ Continue to maintain a focus on achieving strong</li> </ul>	

	<p>financial management across the organisation.</p> <ul style="list-style-type: none"> <li>◦ Maintain a systematic approach that consider and measures the potential impact of proposed cost reductions on the quality of healthcare.</li> </ul> <p>The key question Committee members need to ask is 'How do we know what we know'. The committee discussed this issue of whether it is getting sufficient assurance. It was generally thought that it was, but PD offered to circulate a paper on triangulation of assurance – PD and SC to meet and look through the handbook to ensure the Trust was compliant.</p> <p>It was also noted that CQuAC should be reported by the chair, CJ, to the Audit Committee in the same way the IRGC does currently.</p>	<p><b>PD/SC</b></p> <p><b>CJ</b></p>
24	<p><b>Reports of Limited Assurance</b></p> <p>Joined by Nick Evans</p> <p><b><u>Cancer Services Review – Record keeping</u></b></p> <p>Although most of the recommendations had been taken forward, NE said that overall he felt that the report had put too much emphasis on the MDT form, which was only a summary of treatment, not the main record. He agreed that there was an issue of completeness of the forms, but areas such as skin cancer are fully completed (mainly as they are shorter and easier to complete). NE said that he has set up a review of the design of each of the forms.</p> <p>The committee discussed the issue of the MDT forms and felt that no clinical risks had been identified as it appeared more of an efficiency issue. It was also felt that the scope of the audit should have been clearer. Although this was a red rated report, DH confirmed that it would not be included in the HOIA comments.</p>	
25	<p><b>Audit Committee contact with the Trust</b></p> <p>SC asked if members of the AC considered they were sufficiently exposed and engaged in the workings of the Trust.</p> <p>In general this was felt to be fine and covered by the walkabouts before the Board, individual visits and reports.</p>	
26	<p><b>Any Other Business</b></p> <p>None</p>	

27	<b>Date of next meeting</b>  <b>10 March 2011, Executive Meeting Room, Watford General Hospital</b>	
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**David McNeil**  
 Board Secretary  
 September 2010

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

*Sarah Connor, Chair & Non Executive Director*