

Minutes of Audit Committee Meeting

8 March 2012

Executive Meeting Room, Watford General Hospital

Committee Members

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

Also attending

Colin Johnston (CJ) Medical Director
Anna Anderson (AA) Director of Finance
Clare Stafford (CS) Deputy Director of Finance
Dave Self (DS) Financial Controller
Patricia Duncan (PDU) Company Secretary
Jan Filochowski Chief Executive
attended for Items 13 to 18

Tim Merritt (TM) IA RSM Tenon
Mark Trevallion (MTr) IA RSM Tenon
Liz Wright (LW) IA RSM Tenon
Paul Dossett (PDo) EA, Grant Thornton
Richard Lawson (RL) EA, Grant Thornton

Gary Cox (GC) Board Administrator

Agenda	Comment	Action
Item 1	Chair's Opening Remarks SC welcomed GC to his first Audit Committee Meeting. JF was to join the meeting later. The agenda would be taken in a different order to allow JF to be present for specific items.	
Item 2	Apologies Phil Townsend (PT) was unable to attend the meeting, being on a NED training event.	
Item 3	Declarations of Interest None reported.	
Item 4	Minutes of the previous meeting The minutes of the meeting on 12 January 2012 were approved.	
Item 5	Matters Arising and Action Log The action log was reviewed and updated. In discussion AA and PDU were asked to determine the frequency the Register of Interests should come to the Audit Committee.	Action 5.1: AA/PDU to advise on frequency Register of Interests to be considered by AC.

<p>Item 6</p>	<p>Integrated Risk and Governance Committee MH updated the Committee on 3 new issues and risks considered at IRaGC: a replacement CT scanner at HH; outstanding incidents in Womens and Childrens Ward; and improvements to DATIX. These were to be escalated to the Board.</p> <p>Work was underway to develop a more 'user-friendly' BAF. TM offered to provide examples from RSM Tenon's working party.</p> <p>There were no exceptions to report from CQuAC.</p>	<p>Action 6.1: TM to provide examples of BAF development to PDU.</p>
<p>Item 7</p>	<p>Clinical Audit Results of Concern CJ reported on the audit of cardiac arrests, where work was underway to ensure pro-formas were completed in every case.</p>	
<p>Item 8</p>	<p>Finance Report There were no finance issues to report.</p> <p>Link Road Capital DS reported that the Trust had received £7m from DoH towards a link road development being led by Watford Borough Council. The Committee agreed the accounting treatment of this money – as a long term debtor (other financial asset) and to include a note in the 11/12 accounts to reflect the Trust will not at this stage be buying a fixed asset.</p> <p>The Committee noted the risks being managed, particularly resolving VAT implications. DS assured MH that an agreement was being sought with WBC that protected the Trust's investment on the link road and did not require further investment from the Trust after the road was built, for example on road maintenance.</p>	<p>Decision 1: The Committee agreed to accounting treatment of the £7m link road funding.</p>
<p>Item 9</p>	<p>CQC Registration There were no issues to report.</p> <p>CJ mentioned that a survey of junior doctors was underway. This would provide sufficient evidence to CQC that there was appropriate supervision of staff to meet Outcome 14.</p> <p>Audit Committee noted that an internal audit report had suggested weaknesses in the checklist process and that there are actions in progress to remedy these.</p>	
<p>Item 10</p>	<p>External Audit Progress Report</p> <p><i>Follow-up Reviews: PbR Assurance Programme</i> RL reported that follow up reviews of audits on reference costs, clinical coding for inpatients and a data quality review of outpatients had been done, with 27 recommendations completed and 7 outstanding.</p> <p>SC asked that the actions in the Assurance Programme Action Plan be reviewed and updated, given many issues have been resolved and improvement has become 'business as usual'.</p> <p>MH advised that a review should identify those historic actions that are no longer relevant or applicable, emphasise those that have an impact on operations and finance and to set appropriate completion dates where applicable.</p>	

	<p>CS was asked to review and update the action plan, for consideration at the next Committee meeting.</p> <p><i>Clinical Audit</i> The Committee noted that Trust was only one of two out of 5 audited who had a Trust-wide plan in place for clinical audit.</p> <p><i>SLR</i> The Committee noted that Grant Thornton is producing a benchmarking report on SLR. PDo will provide key messages from the report to Committee members, ready for discussion at the May AC meeting.</p> <p><i>Final Accounts</i> PDo confirmed that the final accounts audit will begin on 10 May 2012. No concerns have been identified from the interim audit and all recommendations from the previous year's audit have been actioned.</p> <p><i>Annual Report</i> PDo will provide a benchmarking report that compares the Trust Report against good practice, for consideration at the next AC meeting.</p>	<p>Action 10.1: CS to review historic actions in Assurance Programme Action Plan and provide update for the May AC meeting.</p> <p>Action 10.2: PDo to circulate SLR benchmarking key messages to members as soon as available, for discussion at May AC Meeting.</p> <p>Action 10.3: PDo to provide Annual Report benchmarking report for discussion at May AC Meeting.</p>
<p>Item 11</p>	<p>Internal Audit Progress Report</p> <p><i>IA Reports</i> LW reported that three final reports have been issued since the last meeting on: Budget Setting, Control and Cost Improvement; Care Quality Commission; and Payroll.</p> <p>LW confirmed that there were no draft audit reports awaiting completion.</p> <p><i>Briefings</i> TM drew attention to two client briefings on good practice in quality accounts from the Audit Commission and Monitor's briefing on delivering CIPs sustainably.</p> <p>TM and CS reported that there had been problems with uploading audit recommendations and actions into the monitoring system and they were working to resolve this.</p> <p>CS will then review actions to identify those that have been resolved and those still outstanding for action. An updated outstanding action list will be presented to the May AC Meeting.</p> <p>Audit Committee expressed concerns that 7 audits have been delayed and will not be brought for review before the end of the financial year and requested that the timetable for 2012/13 is better managed.</p> <p>AA undertook to include in a reminder to Executive Members about responsibilities, that IAs should not be deferred or delayed, except in exceptional circumstances.</p>	<p>Action 11.1: TM/CS to resolve ownership of action upload and ensure full action list recorded.</p> <p>Action 11.2: CS to review actions in response to IA recommendations to identify which have been resolved and which are still outstanding.</p> <p>Action 11.3: AA to include in a reminder to Executive Members about responsibilities, that IAs should not be deferred or delayed, other than in exceptional circumstances.</p> <p>Action 11.4: AA/TM to timetable internal audits in a way which should prevent delays during the year.</p>

Item 12	<p>Overdue Audit Recommendations This item was deferred until the review of outstanding actions as noted in Item 11 above has been completed.</p>	
Item 13	<p>Commercial Sponsorship and Advertising Compliance Audit Committee was given assurance that there is awareness of the Bribery Act requirements and of Trust policies which have been designed to ensure compliance.</p>	
Item 14	<p>Board Assurance Framework The Committee discussed governance issues around the BAF.</p> <p>It was agreed that the purpose of the BAF is to identify key risks for the Trust. Detailed and regular review, identification and assessment of risks in the BAF is the responsibility of IRGC, who recommend issues for escalation to the Board.</p> <p>The Board use the BAF and specific IRGC referrals to inform deliberations and to initiate corrective action on major issues and key risks as required.</p> <p>In that way, the BAF informs the Board agenda and Board agreed mitigating actions and revised risk ratings, as considered appropriate, are reflected in the updated BAF.</p> <p>MH cited action on the estates backlog as a good example, where the BAF identified a key risk; the Board has approved an action and project plan; and is monitoring overall delivery. The BAF is being updated to reflect the mitigating actions taken to reduce that risk.</p> <p>Under those arrangements, it was agreed that the role of the Audit Committee is to quality assure the BAF and risk processes, and there exists a current danger of duplicating IRGC and Board assessments and actions.</p> <p>To meet that responsibility, it was agreed that CJ and PDU will provide an annual report on the effectiveness of the BAF and risk processes, with ongoing exception reporting of any issues.</p>	<p>Decision 2: The role of the Audit Committee in relation to the BAF is to gain quality assurance on BAF and risk processes.</p> <p>Action 14.1: CJ/PDU to provide a paper on the BAF and risk process for consideration and assurance at the May AC meeting.</p>
Item 15	<p>Statement of Internal Control PDU advised the Committee that for 2011/12 the SIC would be replaced by the Annual Governance Statement. There are additional requirements for information and assurances.</p> <p>Broadly the AGS requires a clear description of the Trust's governance structure; the role of each governance Board or Committee and attendance records; the effectiveness of risk, control and assurance arrangements each receives; and disclosure of significant issues or known weaknesses in assurance.</p> <p>PDU confirmed that work is underway on the AGS. Whilst the completion timetable was awaited, a draft would have to be with the SHA in April.</p> <p>PDU also confirmed that there are now controls in place to prevent recurrence of issues disclosed in the previous year's SIC.</p>	

<p>Item 16</p>	<p>Annual Accounts DS advised the Committee of the timetable for production of the Annual Accounts. As yet, there is no DoH timetable.</p> <p>The Committee noted risks and mitigating actions in preparing the Accounts, including that there are a number of accounting judgements to be made on: link road funding; NHSP Contract; MFD contract; and the sale of the Pill Packing Unit (although this will possibly fall into 2012/13).</p> <p>The Committee also noted the outcome of the 2011/12 revaluation of the Trust's land and buildings which has increased taxpayers' equity by £2.4m.</p> <p>The Trust does not intend to adopt segmental reporting for this year. PDo affirmed that when the Trust makes further advances in SLR, it will be appropriate to adopt segmental reporting. The Committee agreed with this approach.</p> <p>The Committee discussed "going concern" as a basis for preparation of the Accounts and agreed to recommend to the Board the following statement for review and approval: "The Trust has considered its position with regard to financial, operating and other associated risks and determine whether it is a going concern, in order to prepare the accounts on this basis."</p> <p>MTr raised one issue that assurance on the Quality Accounts was to be provided to the Board. CJ advised that CQuAC considered the draft Quality Account this morning and it is scheduled to be published in May/June.</p> <p>PDo advised that EA have a deadline to report on the Quality Accounts in June and SC requested that NF bring the draft report to the May AC meeting.</p>	<p>Decision 3: the Committee agreed to recommend to the Board the following statement for review and approval: "The Trust has considered its position with regard to financial, operating and other associated risks and determine whether it is a going concern, in order to prepare the accounts on this basis."</p> <p>Action 16.1: NF to bring draft Quality Accounts to May AC meeting.</p>
<p>Item 17</p>	<p>Local Counter Fraud Specialist Workplan 2012/13 The Committee noted the plan was informed by experience and lessons from last year and that the early focus will be to undertake a comprehensive high level review of all high risk areas.</p> <p>It was recognised that there is a degree of flexibility on use of resources to deliver the workplan; but there may also be mandatory work for NHS Protect. MTr also confirmed that prior years' reactive work would be carried forward into the workplan if considered still to be a risk. It was noted that the reduction in MTr attendance at meetings this year had allowed additional work on The Bribery Act without extra cost, and that next year's planned hours are the same as this year's.</p> <p>The Committee agreed the plan in principle, subject to further identification of NHS Protect mandatory work.</p> <p>The LCFS Policy was not brought to the meeting as there were no changes. MH asked how the Committee could be assured that the workplan complies with mandated requirements? MTr confirmed that ToR are statutory and NHS Protect review the workplan to</p>	<p>Decision 4: Local Counter Fraud Workplan 2012/13 agreed in principle.</p> <p>Action 17.1: MTr to include assurance note on LCFS Terms of Reference in his Annual Report.</p>

	ensure compliance. MTr would include a note to that effect in his Annual Report.	
Item 18	<p>Internal Audit Strategy and Plan 2012/13 The Plan had already been reviewed by Execs (except AA) and approved at DSG.</p> <p>TM asked the Committee to consider whether the strategy set out the Trust's key risks and the Plan reflected the Committee's priorities for the year?</p> <p>TM explained that the strategy and plan for next year drew on lessons from previous audits, reduced the number of audits conducted in order to increase effectiveness, and identified 4 key areas: Bank and Agency usage; Cost Improvement Programmes; Data Quality and Estates issues.</p> <p>In discussion, TM confirmed that data quality was a new audit issue and would focus on clinician coding on outpatients in A&E, where other Trust audits have found under-recovery.</p> <p>PDo/RL were content with the level of financial audits reflected in the plan.</p> <p>MH asked whether the plan might reflect more that the Trust has developed its own assurance arrangements. The plan might look to provide a better and effective balance between use of IA and Trust resources on assurance issue? For example, the Board was already overseeing improvement on estates work and IA involvement perhaps not seen as a priority.</p> <p>SC asked that the plan consider audit issues raised by clinicians and managers and that more thought be given to how the contingency days might be deployed.</p> <p>TM agreed to review the plan and provide a further iteration at the May AC meeting.</p>	<p>Action 18.1: TM to present updated Audit Plan to May AC meeting.</p>
Item 19	<p>Clinical Audit Divisional Plan 2012/13 CJ reported that clinical audit and risk & governance arrangements are now integrated. Thanks given to Nick Egginton for his hard work. CJ chairs the Clinical Audit Strategy Group.</p> <p>There are no concerns to report at present.</p> <p>In considering the Plan, JF asked if enough general surgery proposals are included.</p> <p>CJ will provide an Annual Report on 2011/12 clinical audits at the next Committee meeting in May, to include how clinical audits are linked to CQC Registration.</p>	<p>Action 19.1: CJ to consider general surgery audits included in Clinical Audit Plan</p> <p>Action 19.2: CJ to provide Annual Report on 2011/12 Clinical Audit to the May AC meeting, to include how clinical audits are linked to CQC Registration.</p>

<p>Item 20</p>	<p>Review of Losses and Compensation Register CS reported that the low level of write-offs for overseas patients was due to concerted efforts to recover monies owing and is lower than in many other Trusts.</p> <p>PDo advised that he will circulate good practice findings on managing losses and compensations.</p> <p>The committee noted the Register.</p>	<p>Action 20.1: PDo to circulate good practice findings on losses and compensation.</p>
<p>Item 21</p>	<p>Waiver Register The Committee was content with the format of the waiver Register, which had been through a number of previous iterations.</p> <p>CS reported that all audit recommendations relating to waivers had been cleared. Work was underway with Procurement to reduce the number of waivers given to single or 'no alternative' suppliers to the Trust. MH suggested longer-term contract awards to reliable suppliers may be a useful approach to consider.</p> <p>CS has asked Procurement to review the processes to try and prevent a waiver being necessary.</p> <p>The Committee noted the Register and would keep the single supplier issue under review.</p>	
<p>Item 22</p>	<p>Gifts and Hospitality Register PDU gave a report of gifts and hospitality, including some gifts rejected as deemed inappropriate.</p> <p>The Committee noted work was underway to strengthen the arrangements for recording gifts and hospitality. CJ suggested closer links with the post-Graduate Centre, who will record all external support provided for medical training / conferences.</p> <p>The Committee noted the Register.</p>	
<p>Item 23</p>	<p>Register of Interests The Committee noted the Register of Interests, which needs to be updated for the Annual Report.</p>	<p>Action 23.1: PDU to update Register of Interests</p>
<p>Item 24</p>	<p>Audit Committee Effectiveness Audit Committee has used RSM Tenon's on-line questionnaire this year to capture views (from NEDs, some Executives, Internal and External Audit) on its effectiveness. As some responses were not received in time to bring a full summary to this meeting, SC introduced a draft paper summarising some questionnaire responses. SC will circulate a further draft to Committee members by email and would invite comments on that draft.</p> <p>A full summary of findings will be brought to the May meeting and included in the Chair's annual report to the Board.</p>	<p>Action 24.1: SC to circulate draft report on Audit Committee Effectiveness for members to consider and respond.</p>
<p>Item 25</p>	<p>Review members' contact with <u>the</u> organisation and members' training needs This item was carried over to the May meeting, when PT would be available to attend.</p>	

Item 26	Committee Report to Board No items of concern were raised and SC will report on AC business and discussions.	
Item 27	Cycle of Business The Board noted the cycle of business which needed to be updated to reflect items discussed today that are to be brought back to the May Meeting.	Action 27.1 SC/PDu/GC to agree and circulate draft agenda for May AC meeting.
Item 28	Any Other Business There was no other business.	
	Date of next meeting (s) <ul style="list-style-type: none"> • 10 May • 6 June special meeting re accounts • 13 September • 8 November 	

Patricia Duncan

Company Secretary
March 2012

Signed.....Dated.....

Sarah Connor, Chair & Non Executive Director