

**Minutes of the Audit Committee meeting
 held on 6 January 2015
 in the West Herts Meeting Room, Watford Hospital**

Chair:	Paul Cartwright (PC)	Non-Executive Director
Present	Paul Cartwright (PC) Phil Townsend (PT) John Brougham (JB) Jonathan Rennison (JR)	Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
In attendance:	Don Richards (DR) Jean Hickman (JH) Jackie Ardley (JA) Andy Mack (AM) Tom Slaughter (TS) Greg Rubins (GR) Helena Helm (HH) Lynn Hill (LH) Clare Stafford (CS) Jim Forsythe (JF)	Chief Financial Officer Trust Secretary Director of Governance Director, Grant Thornton Audit Executive, Grant Thornton Partner, BDO Forensic Accounting Assistant Manager Deputy Chief Executive Director of Operational Finance and Efficiency Head of Procurement, Hertfordshire NHS Procurement
Apologies:	Dr Mike Van der Watt (MVDW) Ginny Edwards (GE)	Medical Director Non-Executive Director

MEETING MINUTES

	Discussion	Action To Be Taken By	When
1.	Opening and welcome		
1.1	PC welcomed everyone to the meeting. He advised that Stephanie Elsy of the Good Governance Institute would be observing the meeting as part of the Board Development Programme.		
2.	Apologies for absence		
2.1	Apologies as recorded above.		
3.	Declarations of interest		
3.1	No further declarations were made to those previously reported.		
4.	Minutes of meeting held on 6 November 2014		
4.1	The minutes were recorded as an accurate reflection of the meeting.		
5.	Action log from meeting held on 6 November 2014		
5.1	Point 5. PC advised that he had not met JA as planned in December; however a meeting had been rescheduled for January 2015.		
5.2	Point 9. DR advised that all recommendations within the risk summit audit had been completed and the action plan updated.		
Financial viability			
6.	Financial update		
6.1	DR gave an overview on the current financial position and the process for managing the consequential financial risks.		
6.2	<p>The key points discussed were:</p> <ul style="list-style-type: none"> • Year to date income and expenditure is a deficit of £13.1m, which is £3.1m worse than planned; • Cash flow balance at 30 November 2014 was £1.2m. The Trust had £20.1m of temporary borrowing to support the deficit; • The Trust had received notification that its application for additional cash had been informally approved. Clarification as to whether this would be public dividend capital or a loan was expected within a few days following the meeting. 		
6.3	DR advised that one of the key risks was slow progress of investment with the capital programme.		
6.4	PC asked the auditors who were present whether they had any concerns with regard to the Trust's current position. The internal and external auditors were also asked if they were aware of any reasons why the £14m planned deficit would no longer be achievable.		

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	They responded that the finance report was comprehensive and that there were no specific areas of concern.		
6.5	PC thanked DR for his update. The Audit Committee noted the report.		
Governance and leadership			
7.	Review of terms of reference and work plan		
7.1	PC reported that he had reviewed the Committee's terms of reference against the Healthcare Financial Management Association's handbook and found them to be sound, although out of date.		
7.2	The Committee agreed that the key items to be added were as follows: <ul style="list-style-type: none"> • The Committee would be quorate with two Non-Executive Directors; • The Trust's Chair would not be a member of the Committee or attend; • Local counter fraud lead must attend at least twice a year; • Director of Governance would attend on a regular basis; • The terms of reference would include a counter fraud section plus a section on whistle blowing; • The Board Assurance Framework would be included. 		
7.3	PC asked the Committee to provide further comments to JH by 15 February 2015. It was agreed that JH would update the terms of reference and any adjustments required to the audit work plan, and this would be brought back to the Committee meeting in March 2015.	All JH	15 February 2015 March 2015
7.4	DR advised that he had reviewed the work plan with JH and made some changes, mainly to the structure and timing of items.		
7.5	The Committee noted the terms of reference and work plan.		
8	Board Assurance Framework update		
8.1	JH presented a paper on the progress to the development of the Board Assurance Framework (BAF). She advised that the executive lead for each risk on the BAF would have an individual session in January 2015 with the Good Governance Institute to review		

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	the risks, controls and assurances which fall under their area of the BAF.		
8.2	<p>JB felt there was some confusion between the risk owned by the Chief Nurse and Medical Director (Achieve continuous improvement in the quality of patient care that we provide and the delivery of service performance across all areas) and the one owned by the Deputy Chief Executive (Ensuring services are effective/ ensuring services are responsive).</p> <p>LH explained that the Chief Nurse and Medical Director are responsible for the quality of care, whereas the Deputy Chief Executive is responsible for the responsiveness of the services.</p> <p>JH said that any cross over of risks would be reviewed and updated following the Executive's discussions with GGI.</p>		
8.3	<p>It was agreed that the BAF would be audited by BDO in February 2015 and would be reviewed by the Audit Committee in March 2015.</p> <p>JH advised that this would complete the development of the BAF and it would subsequently be a 'live' document which would be reviewed by the Audit Committee and Board on a quarterly basis.</p>		
8.4	The Committee noted the report.		
9.	Review		
9a	Gifts and hospitality policy update		
9a.1	JH presented a paper updating the Committee on the development of a new policy for the declaration of gifts and hospitality. She reported that the policy specified the process that staff should use to ensure that all offers of gifts and hospitality were appropriately declared, recorded and monitored.		
9a.2	<p>PT asked whether the policy was in line with other NHS Trusts.</p> <p>JH confirmed that it was.</p>		
9a.3	<p>PC asked if the related policies referred to under section 9 were in date.</p> <p>JH confirmed that they were.</p>		
9a.4	The Committee discussed whether the examples were as comprehensive as possible.		

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	It was agreed that the policy would be updated to make it clear that it related to declarations for individual staff members and not for offers given to wards and departments.		
9a.5	JH requested for the policy to be reviewed from a counter fraud perspective. HH agreed to review the policy and provide comment.	HH	February 2015
9a.6	It was noted that, as well as a hard copy, the declaration form was also available to staff via an electronic form from the intranet.		
9a.7	The Committee agreed that it was important for the updated policy to be published as soon as possible. Therefore, the Committee would recommend that the Board approve the updated policy via the Chair's Board summary. It was noted that following review by the LCFS, the final policy would be circulated to Committee members and published internally and externally via the Trust's website/intranet site.		
9b	Gifts and hospitality register		
9b.1	JH presented the gifts and hospitality register for the period of 1 November 2014 to 24 December 2014. She advised that an internal awareness campaign was underway. This had already resulted in an increase in declarations. PC said that whilst it was good that the register is now looking more complete than at the last meeting, there needed to be a check that the policy, register and associated communication were adequately addressing the issues faced by the medics (and such things as sponsored attendance at conferences, etc.)		
9b.2	Members considered the information provided and the Committee agreed that there had been an improvement in declarations; however it was not assured that the register included all offers of gifts and hospitality to staff. JH confirmed that the awareness campaign was still ongoing and would include an article in the published internal magazine.		
9b.3	A discussion took place around whether medical staff followed the same rules with respect to offers of gifts.		

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	JH agreed to discussed this point with the Medical Director and update the policy as appropriate.	JH/MVDW	February 2015
9b.4	<p>It was noted that item 21, cash to the value of £100 should not have been accepted.</p> <p>JA pointed out that this was likely to be a charitable donation and it was therefore not required to be on the register.</p> <p>JH agreed to investigate and update the register accordingly.</p>	JH	February 2015
9b.5	<p>It was noted that the total amount of each item and the name of the person who had approved the offer were not recorded on a large number of the declarations.</p> <p>JH said that this would improve with a new e-declaration form which required all fields to be completed before the form could be submitted. Furthermore, she agreed that future declarations would not be accepted without the full information.</p>		
9c	Register of interests		
9c.1	<p>JH presented the register of interests as of January 2015.</p> <p>She advised that the register now included the interests of the members of the Trust Leadership Executive Committee.</p>		
9c.2	The Committee noted the update.		
9d	Register of interests		
9d.1	JH presented a paper updating the Committee on the use of the Trust seal since the last meeting of the Committee.		
9d.2	The Committee noted the update.		
10.	Internal audit		
10a	Progress report		
10a.1	<p>GR presented an update on progress against the internal audit plan.</p> <p>He advised that progress was steady; however he had experienced problems with getting some audits completed.</p>		
10a.2	PC said it would be helpful for the internal auditors to produce plans that (next time) show progress against schedule and budget and give a view as to forecast	GR	March 2015

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	out turn.		
	Local counter fraud update		
10a.3	<p>GR introduced HH as the new Local Counter Fraud Specialist.</p> <p>PC asked if HH was a fully qualified LCFS.</p> <p>HH responded that currently she was not yet through the certification process; however she expected to be fully certified in the next few weeks.</p> <p>HH to confirm that she is fully certified at the next Audit Committee in March 2015.</p>	HH	March 2015
10a.4	HH presented an update on progress against the counter fraud plan and advised that currently there were five live cases.		
10a.5	<p>Key points of note in each case:</p> <ul style="list-style-type: none"> • Ophthalmology: Interviews under caution would take place in January 2015; • Bank worker: NHS Professionals or University College Hospital would be contacted to take this forward; • ITU nurse: This case would be pursued as a disciplinary offence; • CQUINs: Limited evidence had been forthcoming, therefore no further action would be taken; • Maternity consultant: LCFS and DR would discuss this and agree future action. 	HH /DR	February 2015
10a.6	<p>CS asked for an update on the issue of a microscope which had been reported previously.</p> <p>GR said he thought the case had been closed, however HH would investigate and confirm.</p>	HH	February 2015
10a.7	HH advised that it was expected that the majority of the counter fraud actions would be completed by the next Audit Committee in March 2015.		
10a.8	<p>GR advised that NHS Protect had undertaken a review of the effectiveness of the LCFS service provided to the Trust by BDO. The review had concluded that a number of areas could be improved, in particular the quality of the counter fraud reporting and the level of proactive work undertaken.</p> <p>He advised that NHS Protect had met with a number of members of the Audit Committee as part of the</p>		

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	<p>review.</p> <p>GR informed the Committee that a draft version of the report had reviewed by BDO and the Trust to ensure accuracy.</p>		
10a.9	It was noted that the report was labelled as “final” but it expected an action plan from the Trust within four weeks following its issue.	CS	January 2015
10a.10	<p>GR apologised for the poor service provided and assured the Committee that now HH was in place the service would improve to be consistent with the recommendations made by NHS Protect.</p> <p>HH to have a brief plan to present to the Audit Committee to show how the service gets back up to scratch</p>	HH	March 2015
10a.11	DR informed the Committee that he would be working closely with BDO to find out where the problems had arisen with the intention of getting a better service.		
10a.12	<p>PC said he looked forward to seeing an audit plan for 2015/16 which contained scope and purpose.</p> <p>He requested HH attend the Audit Committee meetings twice a year to update on counter fraud issues.</p>		
10a.13	The Committee noted the report.		
10b	Outstanding recommendations		
10b.1	GR advised the Committee that all follow-up recommendations had been implemented.		
10b.2	JB said he was pleased that progress had been made, however this needed to continue.		
10c	Private patients report		
10c.1	GR presented a summary report on an audit of private maternity patient income. This was assessed as providing limited assurance.		
10c.2	<p>JB asked why the target date for completion of the recommendations was not sooner.</p> <p>GR said he preferred to give sufficient time to ensure it was actioned correctly.</p> <p>The Committee discussed the proposed timescale and agreed that the date would be changed to 1 April 2015.</p>		

	Discussion	Action To Be Taken By	When
10d	Risk management maturity assessment report		
10d.1	<p>GR presented the findings of an audit which assessed the Trust's risk management system.</p> <p>The audit confirmed that whilst there was still work to do, there had been a material improvement in the Trust's risk management processes and that the reduced concerns surrounding them would no longer be a cause for a limited audit opinion (as in the previous year).</p>		
10d.2	<p>The Committee reflected on the information in the report. Taking into account the Trust's starting point at the beginning of the financial year, the significant improvement in the risk management process was noted and that the plans to continue the improvement were appropriate. It was acknowledged that was a good foundation upon which to build.</p> <p>It was agreed that this positive report would be reported to the Board within the Chair's summary.</p>		
10d.3	JB said the audit had been useful and would be helpful going forward.		
10d.4	The Committee noted the report.		
10e	Contract management report		
10e.1	GR presented the outcome of an audit regarding the Trust's controls around contract management. This was assessed as providing limited assurance.		
10e.2	DR introduced Jim Forsythe, Head of Procurement at Hertfordshire NHS Procurement and informed the Committee that there had been a residual problem of staff not following the correct procedure with contracts. However, the Trust was working with Hertfordshire NHS Procurement on a contract management framework which he was confident would bring about improvements in this area.		
	<p>Jim Forsythe said it would resolve a lot of issues if staff contacted Hertfordshire NHS Procurement to discuss contract management prior to entering into any agreements.</p> <p>JB said the Trust had been poor in the area in the past and now needed to see a strong improvement going forward.</p>		
	<p>PT asked if staff could order services without Hertfordshire NHS Procurement.</p> <p>DR said that this could happen, however there were controls in place for this to be flagged within the</p>		

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	finance department and action would be taken.		
10d.3	CS advised that a staff programme of training and development was planned.		
10d.4	PC asked if a follow-up audit would be undertaken. DR confirmed that this would take place next year.		
11.	Limited assurance reports review		
11.1	DR advised the Committee that no reports required update.		
12.	External audit		
12.1	AM provided a brief verbal update on progress with regards to external audit. He advised that the current external audit programme would come to an end in January 2015 and early testing work would begin on the year-end accounts shortly.		
12.2	The Committee noted the update.		
13	Tender/quotation waiver register update		
13.1	DR presented a paper to update the Committee on the number of tender waivers that had occurred since the previous meeting.		
13.2	It was noted that there were 13 retrospective waivers applied for which related to the sourcing of interim managers. A further six retrospective waivers related to estates. DR advised that the new controls would come into force at the end of January 2015; therefore the Committee should see an improvement by the next Committee meeting in March 2015.		
13.3	PC asked if the Trust was turning down invoices which hadn't gone through the correct process. CS confirmed that invoices had been turned down.		
13.4	The Committee noted the update.		
14.	Losses and compensation register update		
14.1	DR presented a paper on the losses and compensation register. He advised the Committee that there had been no new cases to report since the last meeting.		
14.3	The Committee noted the update.		

	Discussion	Action To Be Taken By	When
15.	Review of salary overpayments		
15.1	DR presented an update on the number of salary overpayments during the period October to November 2014. The Committee noted that there had been no improvement in performance.		
15.2	DR advised that the data would be discussed at divisional meetings and be presented at divisional performance reviews. Individual members of staff who continually failed to report staff leaving would be collated and the individuals asked to explain their failure to comply with the policy. DR to report back to the Committee on the discussion at the divisional meetings	DR	March 2015
15.3	The Committee noted the update.		
16.	Review of process of the annual governance statement, annual report and quality account		
16.1	JH presented a paper detailing the process for the development of the annual governance statement, annual report and quality account.		
16.2	The Committee discussed the proposed production timetable. It was agreed that early preparation and close monitoring was vital to ensure that the documents followed the correct governance process and the documents met the required national approval deadline.		
16.3	AM advised that new guidance would be issued next year which would expect the Trust to have the documents completed and approved by early June, in line with the annual accounts.		
16.4	JH and GR agreed to discuss the requirements and the timetable of the documents.	JH/GR	February 2015
16.5	It was agreed that an ad hoc meeting of the Committee would be arranged for mid-April to review the documents.	JH	February 2015
16.6	The Committee noted the report.		
17.	Feedback from the Patient Safety, Quality and Risk Committee on 6 January 2015		
17.1	JA provided a verbal update on the Patient Safety, Quality and Risk Committee meeting which had taken place on 6 January 2015.		
17.2	The key areas of discussion focused on the following: <ul style="list-style-type: none"> • Mental capacity audit; • Record keeping and documentation; 		

	Discussion	Action To Be Taken By	When
	<ul style="list-style-type: none"> Medicines optimisation. 		
17.4	The Committee noted the update.		
Administration			
18.	Items to be escalated to the Board		
18.1	<p>The following items were noted for escalation:</p> <ul style="list-style-type: none"> Internal audit opinion re risks management; Update from NHS Protect; Recommendation to approve the gifts and hospitality policy and that Executive Directors continue to set an example by executing appropriate judgement on hospitality policy declarations. 		
19.	Any other business		
19.1	None reported.		
20.	Draft agenda for next meeting on 3 March 2015		
20.1	The draft agenda was agreed.		
20.2	PC requested that the main body of each paper or report be focussed more clearly on the main purpose with detail consigned to an appendix.		
21.	Date of next meeting		
21.1	The next meeting of the Audit Committee would be held at 3 – 5pm on 3 March 2015. Venue to be confirmed.		