

AUDIT AND RISK MANAGEMENT COMMITTEE MEETING MINUTES

Venue Room 15, Education Centre
Sandwell General Hospital

Date 12 December 2018, 1000h – 1200h

Members Present:

Mrs M Perry, Non-Executive Director (Chair) MP
Cllr W Zaffar, Non-Executive Director WZ
Ms O Dutton, Non-Executive Director OD

In Attendance:

Miss K Dhami, Director of Governance KD
Ms D McLannahan, Acting Director of Finance DMc
Mrs P Gardner, Chief Nurse PG
Ms Y Gainer, Head of Performance & Costing DB
Mr M Stocks, Grant Thornton NC
Ms L Goodwin, RSM MG

Minutes	Paper Reference
1. Welcome, apologies and declarations of interest	Verbal
Apologies were received from Mr Kang.	
2. Minutes of the previous meeting held on 23 May 2018 and 18 July 2018	AR (12/18) 001
Ms McLannahan asked to rewrite section 8 on the Accounting Treatment after meeting and the minutes would be approved remotely prior to providing to the January 2019 Trust Board meeting.	
3. Matters and actions arising from previous meetings	AR (12/18) 002
Work to agree the 2019/20 audit plan is in progress and will be provided to the February A&RMC meeting.	
Verbal confirmation that Declaration of Interest and Freedom to Speak Up (whistleblowing) Policies have been approved at the February committee meeting.	
4. Data Quality Improvement Plan	AR (12/18) 003
Miss Gainer advised the ongoing work on the data improvement plan by highlighting the following areas:	

- Simplifying the process and checking kite mark assurance processes.
- Retesting kite marks.
- Working with internal audit on the red segments to get further assurance.
- New indicators added to IQPR throughout the year and making sure are properly validated.
- Mortality and VTE are back to December 2018 Trust Board – coding, mortality reviews, VTE assessment validation (95.3% is current rate at November) and sustaining this momentum is important.
- Progress/assurance reports to continue to be provided to Audit and Risk Management Committee.
- Standard item on the internal audit plan each year on data quality.

Mrs Perry asked about review dates and how these are set and Miss Gainer replied that we have set dates for a number of indicators and others are cyclical audits (annual review) such as RTT, A&E.

Mrs Perry asked to see the plan (kite marks to be undertaken and new ones) so we can see our progress against these in more detail and Miss Gainer will provide these to the February and April 2019 committee meetings.

Ms McLannahan asked about completeness and asked if data quality is linked to the Trust Risk Register for examples with clinical issues. Miss Gainer advised this is not a formal process but informally clinical teams will raise issues. Miss Dhami advised she had met with Mr (Dave) Baker, Mr (Matthew) Maguire and Miss Gainer to formalise a process to add data quality risks to the Trust Risk Register and this issue will be discussed further by the Executive Group.

All elements of the IQPR have been updated, kite marked and date stamped and there are other datasets that do not feed through IQPR but these will go through data quality risk process and be added to the Trust Risk Register to report these (at Quality and Safety Committee and Trust Board). Mrs Gardner referred to data providing action giving the example of falls data (increases) and the risk raising awareness of the issue including whether or not to fold a falls summit.

ACTION: Data Quality Improvement Plan to be provided to February and April 2019 focusing on progress against kite marks and including data quality risk register items.

5. Final Accounts Timetable 2019/19

AR (12/18) 004

Ms McLannahan provided the draft timetable for the final accounts (2018/19) noting lessons learned from the previous year's process to improve timeliness and quality.

Ms McLannahan advised the Charity and Trust accounts drafts are required by 16th April 2019, both done in parallel (separate) by the finance team and included in the same overall combined document for submission.

Mrs Perry noted the co-ordination of the various pieces of year-end documents (accounts, annual report and annual governance statement) was not as successful as it could have been in 2017/18 and she plans to meet with Miss Dhami and Miss McLannahan in advance of the commencement for the 2018/19 process to discuss improving this.

CLlr Zaffar asked about Trust Board approval and Mrs Perry noted the Audit and Risk Management Committee is delegated to approve the accounts and they are then presented for noting to the Trust Board (as per previous years).

ACTION: Review year-end timetable in more detail at February 2019 committee meeting.

6. Reference Costs

AR (12/18) 005

Miss Gainer advised that the national reference cost data is submitted each year which is then benchmarked by a national team. We have been benchmarked at 98 which is excellent, and compared to other Trusts we are managing our reference costs/benchmark very well.

Miss Gainer noted that even though we are in a good position we will now look at where further improvements can be made using the Model Hospital portal, with a visit from NHSI planned on what Model Hospital (top performing organizations) can inform us.

Mrs Perry asked about our position on providing granularity of data and Miss Gainer confirmed we are data rich across the Trust and we can use our reference costs data to translate into other areas (data sets) that we can use to improve.

Ms McLannahan referred to table 3, section 2.3 (where we sit against other Trusts) and queried accuracy of the benchmarking, given other knowledge we have and therefore asked committee members to have a slight note of caution.

7. Accounting Treatment and Judgements Report 2018/-19

AR (12/18) 006

Ms McLannahan advised this paper sets out the 5 key areas for consideration:

- Review of asset lives in 2018/19 – to extend the asset lives to the longest life of the block and relates to lower depreciation costs.
- Provision for bad debts.
- Accounting standards updates – some for NHS and Local Government have been deferred.
- Restructuring provisions.
- Charitable Funds.

A further update will be provided to the next meeting.

Mrs Perry referred to the provision for bad debt and asked if there are any other key debtors that have been identified as problematic. Ms McLannahan advised no more than previous years/nothing major she is aware of, noting that overseas debt provision will be made.

Mrs Perry asked about the impact of the change in asset lives on depreciation and a reduction in depreciation if this will have a knock on effect with the capital programme. Ms McLannahan advised this is complex (various pots of capital funding) and we are working on the impacts/pressure position/picture at the moment and this will be provided to February 2019 Trust Board for prioritisation decisions to be made.

8. Governance Pack	AR (12/18) 007
<p>Ms McLannahan provided the highlights from the governance pack:</p> <ul style="list-style-type: none"> • Aged Debt – spike in October and downward trend in NHS receivables noted. <p>Mrs Perry asked about the £800K debt (Sandwell MBC) and Ms McLannahan agreed to respond with this detail following the meeting to Mrs Perry.</p> <ul style="list-style-type: none"> • Overseas debt – continuing to consistently raise invoices and the position continues to improve. • Losses and special payments noted. • Salary overpayments – the higher numbers is likely to improved processes and this is uncovering the issues that still need to be resolved. The overpayments/underpayments policy is currently being re-drafted to enhance the “employee responsibilities” section (to ensure staff check themselves). Material debt letters are not being issued now from the finance team as meetings with line managers will take place instead to advise of the issue/position to make an agreement for action (more personal and proving more beneficial with traction to resolve). A direct example of a staff member receiving five years overpayment (paid for weekends never worked) has been identified and being addressed. <p>Cllr Zaffar asked about repayment/recovery of the 5 year staff salary overpayment that Ms McLannahan had provided the direct example of for more detail. Ms McLannahan advised this relates to a lower band employee and the recovery will have a significant impact on this person’s salary which has been a very distressing situation for them, which we are working through (via the line manager) to be fair and compassionate whilst actioning the repayment.</p> <ul style="list-style-type: none"> • Work continues to strengthen the non-NHS creditors over 60 days issues. • Work continues to improve the invoices paid matched/not matched to purchase orders system. <p>Mrs Perry highlighted the Clinical Groups (e.g. PCCT and Imaging) which are showing as poor on the “not matched to purchase orders” performance and commented that their expected spend is not extraordinary and should match easily as used regularly.</p>	
9. Policies Review Timetable Update	AR (12/18) 008
<p>Miss Dhami advised the policies which are lapsed are still available on Connect and are in use (with a note on them to say in review). 121 policies lapsed and have been discussed by the Executive Group, some of which need minor changes and some (fewer) need significant re-writes. The policies set out will be presented through PAG by end of March 2019.</p> <p>The advance notice system for policies due to expire within the next 6 months is to be reinstated.</p> <p>Cllr Zaffar asked how often policies are reviewed and Miss Dhami advised the standard cycle in 3 years.</p> <p>Mrs Perry asked if the work is achievable by the end of March 2019 and Miss Dhami advised that given the number of minor changes, as opposed major rewrites we feel we have set the bar at the right</p>	

level.

Mrs Perry asked if the review approach in 3 years' time for these 121 policies, which will go through before end of March 2019, can be phased (by quarter) in 2022 rather than all considered at the same time (like this current backlog).

Ms McLannahan commented on assurance of staff reading and following policies, asking how do we know this is happening and queried if a user friendly version could be provided. Miss Dhami replied that each policy author is asked to provide a comms plan to give evidence/examples of how they will make staff aware of policies.

10. Internal Audit Progress Report

AR (12/18) 009

Miss Goodwin advised RSM is about half way through the annual audit plan and the reports that are due to be provided in Q4 and the change control plan advises reviews to be deferred into 2019/20 plan.

Follow up on review recommendations/actions has made good progress over that last 2 weeks with these down to 22 outstanding (reduced from 60). Mrs Perry was disappointed the actions are still in the 20s and she will continue to highlight this issue for resolution and these need to be closed off as soon as possible in advance of A&RMC meetings.

Mrs Perry asked for the governance advisory review to be circulated in advance of February committee meeting and Miss Dhami advised from initial findings/conversation the review questions need to be strengthened

Mrs Perry asked for as many draft/completed reports to be circulated in advance of February committee meeting.

ACTION: Circulate as many review reports as available in advance of February 2019 committee meeting.

11. External Audit

AR (12/18) 010

Mr Stocks provided highlights from the external audit progress report:

- Significant risks in relation to financial statements – fraudulent revenue recognition, management override of controls, asset lives (valuation of property) which is non-cash releasing and going concern disclosures.
- Materiality – operating costs.
- Value for money – resilience and Midland Met impacts.

Mr Stocks commented he did not foresee not to provide unqualified position unless Midland Met costs go awry or CIPs significantly under deliver in Q4.

Mrs Perry asked about the audit fee and Mr Stocks confirmed this was £50K but is proposed to change

to £55K given additional anticipated work (e.g. Midland Met complexities). Mrs Perry asked if the committee members were in agreement with this and they agreed.

12. Strategic BAF Challenge Meetings

Verbal

Strategic BAF executive challenge meetings are planned for next week to provide the next report iteration to the January 2019 Trust Board meeting.

13. Committee Effectiveness

Verbal

The Committee felt the matters on the agenda were the key matters that it needed to focus its attention on.

14. Matters to raise to the Trust Board

Verbal

- Data quality improvement plan is progressing well.
- Reference costs good news.
- Early sight of accounting treatments and judgements with no disagreements from External Audit on the major treatments.
- Good review of the governance pack and progress on key areas (overseas debt and although salary overpayments has increased this is due to improved identification processes which is positive overall).
- Policies review timetable.
- Focus on internal audit recommendations.
- One off dilapidation and benefit of the valuation in relation to Midland Met.

15. Any other business

Verbal

No other items of business were discussed.

Details of the next meeting:

The next meeting will be held on 13th February 2019, 10.00 am in Room 15, Education Centre, Sandwell General Hospital.

Signed

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Date