

AUDIT & RISK MANAGEMENT COMMITTEE MEETING MINUTES**Venue:** Training Room 2, Rowley Regis Hospital**Date:** 2nd May 2019 15:45 – 16:30**Members Present:**

Marie Perry, Chair (MP)
 Kate Thomas, (KT)
 Harjinder Kang (HK)
 Craig Higgins (CH)
 Mike Hoare (MH)
 Asan Hussain (AH)
 Mike Gennard (MG)
 Mick Laverty (ML)
 Harjinder Kang (HK)

In attendance:

Richard Samuda (RS)
 Dinah McLannahan (DMc)
 Toby Lewis (TL)
 Paula Gardner (PG)

1. Introductions [for the purpose of audio recording].	Verbal
The Committee members introduced themselves for the purpose of the meeting recording.	
2. Welcome and apologies for absence	Verbal
Apologies were received from Waseem Zaffar and Olwen Dutton.	
The Chair advised the Committee that Mark Stocks and Nicola Coombe from Grant Thornton would not be in attendance today.	
3. Minutes of the previous meeting: 13th February 2019	AR (05/19) 001
The minutes were accepted as an accurate record of the meeting.	
4. Matters and actions arising from previous meetings	AR (05/19) 002
An update of matters and actions arising from the previous meeting were provided:	
<ul style="list-style-type: none"> • <i>Action Item: AR (02/19) 005 Overseas visitors: prepare and present a split between emergency and non-emergency treatments.</i> This item was postponed to the next meeting on 23rd May 2019. • <i>Action Item: AR (02/19) 008 Follow up on the outstanding debt with the Birmingham City Council with Toby Lewis.</i> TL confirmed that the Trust was able to stand back down based on agreements with the Council and that this position was unlikely to be reversed. TL advised that in 19/20, the position would most likely be that invoicing the Council would continue. MP requested an update on the progression of this item. 	
Action: TL to provide an update surrounding the matter of invoicing Birmingham City Council in 19/20.	
DISCUSSION ITEMS	

DMc went through the paper and the following points were noted:

- A set of draft accounts for the Trust Board 18/19 were provided with the papers.
- The draft accounts reflected the £12.5m worth of PSF bonus that the Trust had been awarded, which stemmed from a £5m overachievement against the Trust control total's deficit.
- The accounts included disclosures in relation to Midland Met, which came into the Trust's books at month seven. The accounting treatment was in line with that previously agreed at the Audit & Risk Management Committee in October 2018. DMc advised of a recent challenge from Grant Thornton around the accounting treatment, which had been resolved with the assistance of NHS Improvement. The total cost value was £211.6m, of which £148m was donated.
- The accounts reflected no change from those previously agreed at the Audit & Risk Management Committee, and they were not expecting any issues going forward through audit in relation to that matter.
- The recent issue in relation to VAT was disclosed in the accounts as contingent liability. DMc detailed this issue as follows:
 - The issue was raised following a visit from Revenue & Customs, who noted the reclaimed VAT on the £63m pre-payment which flowed through the books during 17/18 prior to the collapse of Carillion.
 - The tax inspector advised that the contractual basis for the Trust reclaiming the VAT had not been worded strongly enough. Therefore, there was a possibility that they may wish to reclaim the VAT in association with the £63m capital pre-payment.
 - DMc advised the Committee that the Trust was discussing the matter with national bodies in relation to this issue. She also advised the Committee that more information surrounding this issue was necessary prior to any signing of the accounts, in order to justify the treatment of this as a contingent liability.
 - DMc advised that further advice from Capsticks suggested that the contractual working did justify a reclaim and that the Trust had acted in a right and proper manner regarding the claiming of the VAT, and that this advice would be used as supporting evidence.
 - It was agreed that it was important to treat the question of whether the VAT was owed, and the question of how it was handled in the accounts, as separate questions.
- The fact that the statement of Comprehensive Income looked very different in 18/19 to 17/18 was discussed and DMc explained this as follows:
 - Within the £158m surplus for the period, an adjustment had been included for removing a net impairment, which was a change in the Trust's asset value year on year, which goes through the valuation reserve. It was then removed from the I&E impact of capital grants and donations which was the donated element of the Midland Met hospital. The other £63m came through as a pre-payment. The adjusted financial performance surplus was £17.8m, which included £12.5m of PSF bonus and about £7.5m of core PSF. The underlying position being a deficit of £2.5m.

- The highlights from statement of financial position were as follows:
 - The main movement between this year and last year was the inclusion on property, plant and equipment of the Midland Met hospital at approximately £211.6m.
 - There was a slight increase in trade and other payables which was reflected in the creditor payments performance.
 - Cash and cash equivalents stood at £27.9m.
 - An improvement in the receivables position had been recorded.

The following four points were raised for discussion and clarification:

1. The scale of goods received and not invoiced contained in the accounts (to the nearest 100,000) was confirmed at 9.7.
2. It was clarified that the model equivalent asset was consistent with national instruction.
3. It was confirmed that due consideration had been given to the prior account treatment of the Homes England funds and that there may be an audit-based challenge.
4. The non-transfer of assets to Black Country Pathology issue was clarified as being a material transaction. It was confirmed that an agreement was in place that a census would be entered into the notes to reflect Black Country Pathology and the possibility of future asset transfers. TL requested a note be added to the accounts to reflect the agreement to omit the subject.

DMc explained the increasing amount of cash position and confirmed that the figures were not visible in the financial statements.

TL confirmed that the two different numbers quoted in the Board, £21.5m and £17m was not a mistake, there were deliberate reasons why the numbers differed. TL requested that an email setting out this difference should be circulated.

DMc confirmed the audit was underway and had started on a positive note.

TL confirmed that the accounts were publicised in an abbreviated form. The annual report and accounts were published as one document alongside the quality account.

Action: DMc to add a note into the accounts reflecting the agreement to omit the non-transfer of assets to Black Country Pathology.

Action: Send out an email setting out the difference between the figures of £21.5m and £17m.

6. Internal Audit: Annual Report and Head of Internal Audit Opinion 2018/19

AR (05/19) 004

MG noted the paper and the following points were made:

- The Trust used internal audit in a positive way.
- The organisation had an adequate and effective framework for risk management, governance and internal control.
- The Trust had areas where this could be increased effectively by implementing the

management actions which had been agreed throughout the year.

- A positive opinion had been reported and remained the same opinion as last year.

MH queried if the valuation of the organisation's framework risk assessments was purely the audit department's focus on the hospital itself with no influence from CQC reports. MG confirmed that it was essentially based on his work. It was confirmed that the Trust actively pointed the Internal Audit team in the direction of problem areas.

7. Draft Annual Governance Statement

AR (05/19) 005

TL noted the paper and highlighted the following:

- There was an error in the first page of the paper as the statement should read for 2018/19.
- The Coroner Regulation 28 information would be expanded in due course.
- The Cyber security position was an involvement position.
- The position on GDPR were accurately reflected and there were 14 areas for improvement. A further local review of data owner's awareness and asset compliance would take place during May and June 2019.
- Data quality was reflected in the report and was reported as no worse than in prior years and should be slightly better next year.
- There was a heavy emphasis on I.T. which was considered the dominant control risk faced by the organisation.
- Four areas where the organisation continued to have some control gaps were identified as follows:
 - Safety risk around care teams.
 - Data risk.
 - Asset failure, specifically I.T.
 - Vulnerable services, sustainability of sub-specialised workforce.

TL confirmed that the four issues were not comprehensive and that others may be identified.

HK queried if the issue of having to occupy the estate longer than originally planned held any significant risk and TL confirmed that the Estates MPA had carried out an exercise to mitigate the red risks successfully. This had been advised as a Board Committee and it was reflected in the Risk Register that all red risks had been closed-down and elevated risks were fully mitigated.

The Chair advised that the counter fraud self-assessment was submitted in time by MP and DMc and that it had scored a green rated outcome, based on the self-assessment.

ML queried how the Trust was progressing towards the 20/20 vision and if the Trust was still achieving the strategic aims of the longer-term plan. TL advised that the position of the 20/20 vision was reflected in the annual report and confirmed that the strategic aims of the longer-term plan were being achieved.

8. Internal Audit Progress Report Compendium

AR (05/19) 006

MG noted the report and invited questions.

MP confirmed that the safety plan appeared at the Private Board and the Quality and Safety Committee last week, and that it would be followed up. The actions and recommendations would be incorporated within the follow up.

ML queried how the Trust tracked the implementation of actions and recommendations. It was

confirmed that each internal audit management action was logged onto the system, including the agreed resolution date. KD was responsible for monitoring this log and chasing implementation as necessary. She would escalate items appropriately should this be necessary. The Audit Committee would then scrutinise the log at every committee meeting. KD added that the log was also scrutinised at the monthly Management Committee, Chaired by TL, from a performance point of view. Any outstanding or overdue actions would be investigated within that Committee.

OTHER MATTERS

9. Committee effectiveness

Verbal

The Chair noted that the meeting had been effective.

10. Matters to raise to the Trust Board

Verbal

The Chair noted the following matters to raise to the Trust Board:

- The consideration of the draft accounts and that they were being prepared in line with the assumptions and the judgements already discussed.
- The positive internal audit opinion based on the work of the internal audit team for the year.

11. Any other business

Verbal

The Chair noted that by the next Trust Board meeting, the final accounts would have been reviewed.

12. Details of next meeting

Verbal

Thursday, 23rd May 2019, from 09:00 to 10:30 in Room 13, Education Centre at Sandwell General Hospital.

Non
Signed

Print

Date

**Audit & Risk Management Committee Meeting
Action Log following meeting held on 2nd May 2019**

Meeting Item Number	Action	Lead	Due	Status
AR (05/19) 002	Provide an update surrounding the matter of invoicing Birmingham City Council in 19/20.	TL		
AR (05/19) 003	Add a note into the accounts reflecting the agreement to omit the non-transfer of assets to Black Country Pathology.	DMc		
AR (05/19) 003	Send out an email setting out the difference between the figures of £21.5m and £17m.	DMc		