

AUDIT & RISK MANAGEMENT COMMITTEE MEETING MINUTES**Venue:** Room 13, Education Centre, Sandwell
General Hospital**Date:** 23rd May 2019 0900 -10.30**Members Present:**

Harjinder Kang, Chair	(HK)
Dinah McLannahan	(DMc)
Kam Dhami	(KD)
Mick Laverty	(ML)
Craig Higgins	(CH)
Dave Baker	(DB)

In attendance:

Richard Samuda	(RS)
Bradley Vaughan, RSM	(BV)
Asam Hussain, RSM	(AH)
Mark Stocks, Grant Thornton	(MS)
Nicola Coombe, Grant Thornton	(NC)

Meeting Support:

Julie Turley, Executive Assistant (JT)

1. Introductions [for the purpose of voice 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: Marie Perry, Kate Thomas, Mick Laverty, Mike Hoare, Waseem Zaffar, Sophie Coster. KD advised that there was only one Non-Executive Director present to meet a quorum. It was agreed to proceed with the meeting and ratify any actions tomorrow at the Board Committee, in the presence of other Non-Executive Directors. NB: Mike Laverty joined the meeting later.	
3. Minutes of the previous meeting: 13th February 2019	AR (05/19) 001
The minutes were accepted as an accurate record of the meeting with the following amendments: Page 2, bullet point 5; the first line should read reclaimed VAT rather than repayment VAT. Page 2, bullet point 5, first section; Corillian should be spelt Carillion. Page 2, bullet point 5, the fourth section should read re-claim rather than a reduction. Page 3, item number 2; should read modern not model.	
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 as follows: <ul style="list-style-type: none"> <i>Action Item: AR (02/19) 008 Follow up on the outstanding debt with the Birmingham City Council with Toby Lewis.</i> DMc confirmed agreement to write off some of the very old debt but the trust would 	

continue to invoice Birmingham City Council for delayed transfer of care, which remained a significant problem, particularly at Rowley Regis Hospital.

- *Action item: 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 advised that there was a generic note added to the accounts around NHS Policy Transfers and she would check that this note met with Mr Lewis' requirements.

- *Action Item: AR (05/19) 003 Send out an email setting out the difference between the figures of £21.5m and £17m.*

DMc advised that this request was underway and would be circulated as soon as it had been completed.

- *AR/ (02/19) 001 Obtain clarification from Mr Stocks regarding his comment from the meeting minutes dated 12 December 2018 in Agenda item 11.*

KD confirmed this had been completed.

- *AR/(02/19) 002 Present a written progress report against the Data quality Improvement Plan that included the indicators on the current mark, and the emerging themes at the next meeting.* This item appeared on the agenda for today's meeting.

- *AR (02/19) 005 Overseas visitors; prepare and present a split between emergency and non-emergency treatments.*

This item appeared on the agenda for today's meeting.

- *AR (02/19) 006 Qualify some of the statements with examples in the Informing the Audit Risk Assessment for SWBH Paper.*

DMc gave a verbal update and confirmed that this was covered by the MFR.

- *AR (02/19) 011 Review the Fraud Risk Assessment at the next meeting.*

This item appeared on the agenda for today's meeting.

Action: DMc to check with Mr Lewis if the note added to the accounts covered his requirements regarding the agreement to omit the non-transfer of assets to Black Country Pathology.

DISCUSSION ITEMS

5. Governance Pack

AR (05/19) 003

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

- The non-NHS debt was climbing because of overseas visitors.
- A new process around tender waivers would be presented at the next FIC meeting, including:
 - Non-pay grip and control.
 - Procurement improvement.
- A full supplier list had been created by merging the following data sets:
 - IT and Estates data from their local registers.
 - Purchase orders raised over the past 12 months.
 - Every supplier who the Trust paid over the last 12 months.
- Next steps would be:
 1. Risk stratify the suppliers.
 2. Complete contracts database.

6. Overseas Patients/Visitors: Charging Update

AR (05/19) 004

KD noted the paper and the following points were made:

- An in-house team had been in place since last August to ensure that patients who may not be

eligible for free NHS treatment could be identified.

- Invoicing of potentially chargeable patients had increased significantly.
- The Trust was not following through once they had been identified and invoiced.
- Upfront payments for those who did not qualify for free treatment were being considered.
- NHS Digital were becoming involved.
- Planned procedures should not end up as a debt in the system.
- The outstanding overseas debt sat at just under £4m.

Discussion took place around this matter and it was confirmed that most debt had been accrued via planned care rather than the Emergency Department. KD explained that the national average collection rate was 34% and the Trust scored substantially less than this. It was felt that other Trusts were more successful at clawing back these debts as their dedicated teams had been more embedded into the system, and that other Trusts were more ruthless in the pursuit of payments. KD confirmed that staff were being coached to feel more comfortable in bringing up the issue of payment with patients.

Action: KD to provide an update on how reclaiming overseas debt looked later in the year.

7. 2018/19 Financial Statements

AR (05/19) 005

DMc noted the paper and highlighted the following:

- The final version had been circulated which contained some minor disclosure and points of detail comments.
- No major changes to the accounts had occurred since the draft was considered at the Audit & Risk Management Committee on 2nd May 2019.
- Key points were as follows:
 - The accounts reflected the total PSF income earned in 18/19 plus a bonus of £12.5m which calculated a total PSF of £20.3m.
 - Reporting a surplus of £17.8m with an underlying deficit of £2.5m.
 - The accounts reflected a healthier balance sheet than at the same point last year with £28m in cash and also the Midland Met asset on the balance sheet and also reflected a draft statement of comprehensive income for the donated asset element.
 - The total Midland Met asset value was £211.6m which was the certified cost of construction at the time Carillion went into liquidation.
 - £149m of that total asset value was donated and was reported as noncash backed donated income. This treatment as agreed with the Department of Health, NHSI and also the external auditors.
 - The accounts also reflected as previously discussed at this Committee the extended asset lives provided to the Trust by the District Value and this had driven a £4m decrease in the depreciation charge.
 - The net decrease year on year was £2.6m.
- The contingent liability in respect of the £63m of contribution to the Hospital Company for construction of the new hospital had a challenge from HMRC on whether the Trust should have reclaimed the VAT in respect of that. DMc confirmed she had spoken to the Royal Liverpool Hospital, who had a similar challenge, and they reported that they had received some advice from KPMG. DMc confirmed she had also engaged with KPMG, who had confirmed that they supported the Trust's view that this matter was a contingent liability on the basis that the Trust made contributions to the Hospital Company, for supply of the Hospital. DMc also advised that under Heading 45 of the contracted-out services, that it was

reclaimable for VAT and they could not recategorise it retrospectively because the Hospital Company no longer existed. DMc clarified that she was confident that the Trust had acted correctly. DMc summarised the position as follows:

- A paper had been prepared for external audit to back-up the Trust's position.
- KPMG support the Trust's position and were preparing a paper that she will share with Grant Thornton to take through their internal processes, to ensure agreement from all parties, prior to submitting the accounts next Wednesday, 29th May 2019.
- DMc suggested it would be sensible to join up with the Royal Liverpool Hospital once the accounts were published regarding the HMRC issue.

MS reported that further discussions took place regarding the HMRC challenge and it was agreed that KPMG had given a very clearly articulated argument around this being a PFI contract and based on what had been seen was not considered to be unreasonable. MS advised that whilst he felt confident of this, he needed to consult with RSM's VAT team and request that they provide him with written documentation supporting this advice.

MS highlighted the following items from the accounts:

- The potential overspend income of £700,000 should be taken into context with the Trust's overall income.
- The introduction of the new financial systems had caused some difficulties. One of the issues that was flagged was on the GNRI accrual because they were seeing received not invoiced accrual from last year that was still in the account. He clarified those as being the 17/18 figures and was unable to obtain a breakdown of those figures so was unable to test them, so at present he was unclear whether that £2.4m was a valid credit to renewal of your account.
- The GRNI accrual for 18/19 was being scrutinised and tested, this was flagging a few minor issues and the Chair would be notified if any of those posed a problem.
- MS was comfortable with how the MMH had been brought into the financial statements.
- The significant issue being the reclaimed VAT.
- The accounts payable and receivable systems had been heavily tested, and GT concluded that this must improve for 19/20
- There was nothing to report on value for money.
- The unqualified opinion on financial statements/ qualified for money was that there had been no requirement to carry out any of their statutory parallels in terms of chronic interest reports or reports to the Secretary of State.
- If anything arose from the outstanding work item, they would notify the Chair.
- The Trust cash flow forecast and budget for 19/20 had been scrutinised and MS was satisfied that the Trust remained a going concern.
- Potentially some borrowing that the Trust may have to do but that was not significant.
- The risk audit had identified the potential overspend of £700,000 and there was an issue around not having signed contracts in place. He confirmed that he had not acted on his view in terms of the audit but that it had been identified as an item for the Trust to review.
- Fraud risk was considered satisfactory, looking at the accounting judgements and estimates he was satisfied with them.
- Property was a significant estimate and he was satisfied with how the property assets are reflected within the balance sheet.
- MMH and how it was treated as a donated asset was satisfactory, with the DH special direction being accounted in accordance with that direction.

- The reversal of the prepayment came out of the prepayment balance and that was effectively being collapsed into the value of NMH on the balance sheet was considered satisfactory.
- Extended asset lives were applied in 18/19 for the first time. MS communicated that he felt that was incorrect. DMc responded that this was not uncommon across the sector and the RICS guidance had presented this challenge for other NHS Trusts. The vast majority of those were maintaining the position on the accounts. She added that it was always part of the Trust's plan and would be addressed to ensure that the asset lives were accurate and followed all the relevant guidance for 19/20.
- Systems issues were called out as follows:
 - Loss of the fixed asset register.
 - Loss of scanned images.
 - Scanning system picking up invoice numbers rather than invoice values.

MS summarised as follows:

- MS was awaiting a paper from KPMG regarding the VAT conclusion on their testing on GRNI.
- MS would contact the Chair with any other misstatements that may be identified.
- KD would confirm the line of communication for MS.

8. General Data Protection Regulations: SWBH compliance update

AR (05/19) 006

KD noted the report and the following points were made:

- The Governance Toolkit was renamed the Data Security & Protection Toolkit. End of year compliance had been centrally recorded.
- In some areas greater assurance and information/confirmation of compliance was still required.
- The action plan was The Trust's own assessment against its obligations.
- The data security obligations were also part of the GDPR, so the regulatory changes were covered in the toolkit.
- Data owner responsibilities were unclear and KD advised that those individuals who held an information governance role would be encouraged to become more involved.
- The plan was more about looking at confirming what the Trust was doing to protect people's information and ensuring that it was secure.

ML questioned the 700 members of staff who had not completed training. KD explained that this referred to the information governance training as part of their mandatory training and that the staff were spread across the Trust. KD confirmed that this related more to refreshers rather than not having gone through training at all. KD advised that the Trust had never been at 100% compliance and now considered the target to be 85% of staff being 100% compliance with their mandatory training modules. The important thing to check was how many people had never had any training.

Action: KD to check how many of the 700 members of staff had never had the mandatory training for information governance and report this data to the Committee.

9. Data Quality report

AR (05/19) 007

DB noted the paper and the following points were made:

- There was assurance around the data quality, however there were several red segments

around process or people skills that required resolving. There was an action plan at each indicator level to fix those.

- DB advised that he would be picking up several items at the next FIC meeting around creating opportunities and that there was a lot of income being leaked due to data quality and one of the things they need to explore is how to fix that.
- A process was developed which tried to provide assurance for all the indicators on the IQPR. Overall the IQPR was acceptable, although there was room for improvement.
- The process owners for kitemark’s changed which caused lack of continuity. The process owners needed to improve, and processes needed to be written down.
- IQPR indicators dictated what was the national criteria and the Trust was reporting against that criteria.

ML questioned the rostering and DB confirmed that this did not appear on the IQPR. It was confirmed that this was picked up through the Chief Executives Report on Safer Staffing. ML queried the fact that with rostering it appeared that whilst the tasks were in hand, the data had not been completed and looked bad. He advised that he felt that was a cultural behaviour specifically.

10. Incidents over 21 days: progress and controls	AR (05/19) 008
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KD noted the paper and the following points were made:

- The Trust was down to three individual incidents over 21 days.
- A report was produced for groups and directorates to identify all incidents due to be managed within the next 14 days for the purposes of proactive management of potential breaches.
- KD confirmed that she was confident that this was now under control and would continue to monitor this until she was satisfied that this item was resolved.

DMc questioned the trigger for closing an incident was investigating it not actually resolving it, and that the risk of seeing such a massive improvement was the process of closing down the incident rather than the learning of why the incident happened in the first place and making sure it did not happen again. KD confirmed that several colleagues had called this item out as a risk and she was sighted on this.

INTERNAL AUDIT PERSPECTIVE OF TRUST PERFORMANCE

11. Internal Audit Progress Report	AR (05/19) 009
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AH noted the paper and the following points were made:

- The two remaining draft reports had the factual accuracy agreed; these were:
 - Data Security and Protection Toolkit (Advisory)
 - Consultant Job Planning (Advisory)
- For the validation of the Trust’s self-assessment, ten areas were chosen to be audited.
- None of these self-assessments could be confirmed due to lack of evidence. Although subsequently the Trust had found some evidence.
- There were 14 areas where standards were non-compliant, and the key message was that it was wise to keep a depository of evidence to support the self-assessment.
- The report around joint planning was an extensive piece of work by AH and David Carruthers with lots of valuable findings.

- The overall conclusion was that the Trust had the policies and was in line with best practice but there were inconsistencies, some of which were called out as:
 - Job plans were not always up to date and were not always linked to the acuity.
 - Private practice was not always recorded.
 - Inconsistency with SPA time.
- The team were setting up a medical job plan consistency committee where they would prioritise items to be resolved.
- The reduction in management actions outstanding was very positive.

12. Counter Fraud draft Annual Report, Workplan and Fraud Risk Assessment

AR (05/19) 010

AH noted the paper and the following points were made:

- For 17/18 the Trust resulted in a green rating.
- This year was slightly different as the Chair of the Audit Committee had to sign off the SRT.
- From a counter-fraud perspective there was support from across the Trust as a whole.
- DMc is happy from an investigatory perspective when a fraud is reported or alleged or potential, she feels that the auditors and HR have a joint working between HR and audit.
- Where the risks sit:
 - The workplan.
 - The tender waivers
 - The procurement plan
- From a counter fraud risk assessment point of view the list of risks identified were areas where fraud was more likely to occur not specific to the Trust.
- All the 29 risks included in the report and the relevant Executive Leads had taken the risk register on board for review. Identified controls were already in place, although controls in place to mitigate the gaps needed to be checked and then adopted onto local risk registers in Q1 19/20. DMc confirmed that risks would be absorbed into the day to day risk management process.

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:

- To receive the accounts formally.

11. Any other business

Verbal

The National Counter Fraud Exercise was raised, and it was confirmed that the Trust would take part in this exercise and bring back briefings in due course.

12. Details of next meeting

Verbal

Thursday, 4th July 2019, from 15:30 to 17:00 at an off-site venue tbc.

Signed

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Date