

AUDIT & RISK MANAGEMENT COMMITTEE MEETING MINUTES

Venue: Meeting Room 3, 1st Floor Midland
Metropolitan Hospital site offices,
Cranford Street, Smethwick, B66 1RT

Date: 3rd October 2019, 15:30 – 17:00

Members Present:

Ms M Perry, Non-Executive Director & Chair (MP)
Cllr W Zaffar, Non-Executive Director (WZ)
Mr H Kang, Non-Executive Director (HK)
Mr M Hoare, Non-Executive Director (MH)
Dr K Thomas, non-Executive Director (KT)
Mr M Laverty, Non-Executive Director (ML)

In attendance:

Ms K Dhami, Director of Governance (KD)
Ms D McLannahan, Acting Director of Finance (DM)
Ms N Coombe, Grant Thornton (NC)
Mr D Baker, Dir. of Partnerships & Innovation (DB)
Ms C Dooley, Head of Corporate Governance (CD)
Mr C Higgins, Finance Adviser (CH)
Ms L Owens, Finance Adviser (LO)
Ms S Coster, RSM (SC)
Mr A Hussain, RSM (AH)
Mr M Gennard, RSM (MG)

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
No apologies were received.	
3. Minutes of the previous meeting: 4th July 2019	AR (10/19) 001
The minutes were accepted as an accurate record of the meeting with the following amendment: <ul style="list-style-type: none"> ○ On page 4, for clarification, add into the conversation about Go Live that this was related to the health and social care network and the high-speed connections. 	
4. Matters and actions arising from previous meetings	AR (10/19) 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 (07/19) 006 Investigate if there was an alternative if the dedicated line for Oracle failed. DM confirmed this action was completed.</i> <ul style="list-style-type: none"> ○ DM reported that she had not had a conversation with Martin about the issue. ○ At the last meeting the advice was that it was possible to have access for Oracle to a specific, dedicated 1GB line. However, the switch had not been made and the Trust network was still being used. There were still connectivity and speed issues which were being investigated. 	

- DM offered to consult the business continuity plan and circulate a specific update as to what would happen if the dedicated line failed.

Action: DM to consult the business continuity plan and circulate a specific update regarding plans for Oracle in the event of failure of a dedicated line.

5. Strategic Board Assurance Framework

AR (10/19) 003

MP stated there had been a full discussion on this topic at the Board meeting but updated the Committee for the benefit of non-Board members. She made the following points to note:

- KD expressed the view that some committees would have difficulty in meeting the target because of outside influences beyond their control however, MP expressed the view that where there were limitations, ‘doing everything possible’ may be sufficient.
- The comment was made that actions aimed at improving assurance needed to be linked to successful outcomes to better mitigate risk.
- MP stated that there was still a lot of follow up work to do on the SBAF.

Mike Gennard and Asam Hussain joined the meeting.

6. Data Quality Kite Mark Review Update

AR (10/19) 004

DB reported the following key points:

- 10 of the 42 actions were now closed and they would filter through to the IQPR in November and this would lead to more green segments in the Kite Mark.
- 15 of the 42 were overdue and seven of them were made to RTT. These were discussed at the PMC in August and there would be an update later in October. Others were not yet due.
- WHO Safer Surgery - the group and the leadership team had been engaged and work would start on 25 October and was expected to take two months because of its large scale.
- The Maternity Project had been completed, had just been signed off and would be examined for actions.
- MSA one was not yet due and the Workforce project had not been started because of time pressures.
- The metrics in the IQPR and what the Board was monitoring were not always the same and therefore some alignment work needed to be done before further projects were undertaken.
- Next steps would be to chase the 15 of the 42, chase the ones which will become due and to move forward the WHO and the Workforce and the MSA project in Q3.
- The reviews were being used to drive actions to give more assurance that the data quality is correct. Once implemented, the actions reduce risk in the Kite Mark by covering the code green. Ten or more Kite marks would turn from red to green in the IQPR in November.
- MP raised the issue of other ‘high risk’ areas such as performance metrics, which were not in the IQPR, but where the Committee wanted to ensure data quality was up to standard. DM responded that the focus so far had been on the IQPR.
- In terms of aligning with CQC required data sets, DB reported CQC had previously shown interest in the Kite Mark process. Meetings had already taken place to find alignment between all of the indicators. MP stated that some of the CQC indicators were the same as IQPR and therefore, achieving green Kite Marks in those areas was a priority.

Dave Baker left the meeting.

Action: DB to investigate other high-risk areas such as the performance metrics for data quality improvements.

7. Governance Pack

AR (10/19) 005

DM presented the governance pack and made the following points:

- DM reported that aged debt had fallen month on month, but the 90-day proportions stayed the same. There was a difference between NHS and non-NHS, with NHS going up and non-NHS going down.
- There had been some writing off of debts that were irrecoverable which was a positive.
- A number of small overseas debts were not economical to pursue. The Trust was working to locate a reputable debt collection agency to help. NHS Improvement best practice advised that debts should be written off after 45 days, if payment hadn't been received.
- The system allowed for notifying authorities and therefore, where payment was owed from overseas visitors, the debt would be picked up on re-entry to the country.
- The following NHS debts would be pursued:
 - Birmingham Women and Children's Hospital
 - Birmingham and Solihull Mental Health – small amount
 - Dudley Group NHS Foundation Trust. (Longstanding debt)
 - Oxford University Hospitals NHS Trust
 - Walsall Healthcare NHS Trust – will need to pay them first
 - NHS Sandwell and West Birmingham CCG (Old balances outstanding.)
 - University Hospital Birmingham NHS Foundation Trust (Debts were 3 or 4 years old, but discussions with the organisation were continuing.)
- Processes continued to improve in the overseas debt area. The urgent backlog had been cleared.
- The overseas debt team comprised four members. DM reported that a combination of income from debt recovery and the CCG covered the cost of this team.
- Lost and special payments were average and at expected levels.
- Salary overpayments were £103,000 to date, which was a reduction amounting to £9,000 per month compared to the 18/19 £15,000 per month. This was due to a better and more assertive recovery process. DM suggested liaising with HR managers to encourage discussion of the issue with staff by line managers who had the responsibility to accurately record time sheets.
- It was suggested printing a message on payslips to the effect that staff were responsible for reporting overpayments.

- Process around tender waivers was being changed to make it more meaningful and compliant. Thirteen ways to justify a tender waiver was being reduced to five. There was a spike in the value of single tender waivers in August for Malling Healthcare (GP providers at City Hospital). DM reported that the company had a parent company based in the Bahamas and commented that this fact had been included in the paper to raise the issue of the growing focus on assessing the background of third-party suppliers in more detail.

8. Financial Systems Improvement Plan

AR (10/19) 006

DM introduced the topic with contributions from CH and LO. The following points were made:

- DM reported that at the last Audit Committee meeting, multiple issues had been identified which

were contributing to an ineffective, slow system and approaches to remedying the problems were discussed.

- DM expressed the view that progress was being made. The over 60-day non-NHS creditor position was now down from £1.5m in January to £107,000. The AP team did not now have any agency which was a positive move. She stated that a lot of pain points would be cleared in October and the aim was to clear them all by the end of the year.
- CH reported there had been around 80 initial pain points which had been significantly reduced. Most of the improvements had been made in the last three to four weeks mainly thanks to partners Version One, who were helping push through improvements including to the accounts payable process (reduction in staffing) and the automation of notification of invoices etc.
- Performance of the HSCN network was still struggling. A meeting had been arranged with IT to discuss the Oracle issue (previously mentioned).
- Invoice scanning had been identified as an issue during audit. Scanned invoice image values were not translating into appropriate records. A new electronic interchange was being progressed for invoices, working with the Oracle partners to reduce the problem.
- The ability to remove invoice images from the server had been stopped with the removal of access.
- LO confirmed the internal server issue would form part of the interim audit plan.
- CH reported that RSM had been asked to pick up some of the issues in the AFR specifically as part of its financial controls audit to get an early view.
- LO reported that some spot checks were being carried out.

9. Standing Financial Instructions/Standing Orders Update

AR (10/19) 007

DM noted the paper and reported on the following points:

- A review of the Standing Financial Instructions was requested in May 2018 and three amendments had been proposed.
 - Tender waiver thresholds – Changing the threshold from £5,000 to £10,000 which would be in line with other Trusts and to exclude from the waiver requirements relevant non-procurement expenditure.
 - Purchase Order approval processes – to implement a shorter management approval hierarchy in line with purchasing volumes and unit values and to remove the emergency purchasing control currently in place. DM reported that some cost centres had up to eight approval stages, but it was agreed that the process be simplified to no more than three in any approval chain. DM stated that for the vast majority of approvals, it was more appropriate for smaller items to be signed off by managers.
 - Charitable Funds approvals – To change responsibility for approving expenditure between £20,000-£50,000 from Executive Director to Chief Executive. This had been agreed by the Charitable Funds Committee and the move would also update forms carrying old expenditure limits.
- There was uncertainty about whether the proposed changes to the purchase order approvals processes had been sent to the Executive Committee.
- CH reported the purchase order approvals processes had not been tested but stated that if approved, the changes would be relatively easy to implement in the system and would be tested in an appropriate environment first.

- The Committee agreed to make all three of the proposed changes.

Action: DM to check if the purchase order approvals process proposed changes have been sent to the Executive Committee

Action: Test changes in the Standing Financial Instructions in a testing environment

10. Legal Services Update

AR (10/19) 008

KD noted the paper and made the following points:

- KD reported that Davinder Rana was the new Head of Legal Services. She was collating claims numbers and would provide some deeper background analysis of claims outcomes for the next Committee meeting.
- There were 480 clinical negligence claims in the system at different stages in the litigation process. KD reported that around 70 per cent were non-actionable and would be closed and removed once they had received a second reminder. There were 71 employee claims and 7 public liability claims.
- The clinical negligence claims mostly concerned women and child health, medicine and emergency care and surgery. Women and child health numbers had risen because of a group action which was being pursued relating to vaginal mesh insertion, with 28 live cases concerning this issue. These cases could take two or three years to resolve.
- The trigger point to go to NHS resolution was if the case was going to turn into a claim which is likely to be successful or pursued vigorously.
- The Trust did not stand out compared to other similar organisations in terms of numbers.
- The top reason for a claim was a failure or a delay in diagnosis which was in line with the national trend. KD said the Trust was working to identify valid problems in letters of claim at an early stage, so that services could be improved for patients sooner.
- Employer and public liability claims were often difficult for the Trust to defend because evidence of training or special equipment to prevent injury in the workplace was lacking, but DM stated this could be improved and the Trust was lagging behind similar organisations with better practices in this area.
- Regarding Regulation 28 of Inquest, KD reported that the coroner felt there was wider learning for the Trust surrounding some failings on its part.

11. External Audit Progress Report and Sector Update

AR (10/19) 008

NC noted the paper and reported the following points:

- NC referred to the paper and the National Audit Office. The new code of practice was currently out for consultation and would come into force on 1 April 2020. It would not affect the 2020 audit but would affect audits going forward. The NAO was proposing changes around the value for money conclusion and would require more commentary on:
 - Financial sustainability
 - Governance
 - Improving the 3 Es
- Nicola reported the criteria last time was around informed decision making and resource deployment and working with partners.
- NH welcomed the NHS debt focus of the audit letter as a positive direction in the governance

pack and also expressed satisfaction that the financial systems and improvement plan was in place and moving the right direction.

12. Internal Audit Progress Report

AR (10/19) 010

AH noted the paper and the following points were made:

- MG and AH reported that since the last meeting work had been completed and issued three reports in track. Two were related to people and governance:
 - Effective recruitment
 - Performance Development Reviews (Appraisals)
- A third report had been issued, re Follow up
- An emergency piece of work around unity and validations.
- Scopes for financial management were confirmed which would be undertaken in November.
- The team continued to track the closure of actions.
- MP commented that a lot of Committee meetings were suspended under pressure of the work programme internally.
- MP confirmed that the draft reports would be circulated to Audit Committee members when finalised.

13. Counter Fraud Progress Report

AR (10/19) 011

- SC reported that feedback had been reviewed for the year. Gifts and hospitality and declarations of interest were areas with the lowest levels of awareness throughout the Trust.
- A Trust-wide survey had been issued to gauge wider understanding which had been launched with a supporting statement from DM

Response to the survey had been poor and the communications department had been asked to re-launch it.

- A payroll risk had been reduced by the work the IA did earlier in the year into payroll and subsequent management action. There had also been a reduction in the overpayments of salaries.
- The Accounts Payable Review was in the final stages. This was a data analytics review with the intention of identifying potentially inappropriate payments to contractors or suppliers. Craig was looking into some payments to ascertain if they needed further investigation. A report would be presented to the next Audit Committee.
- NFI matches were released earlier in the year and the high priority matches had been reviewed. DM had agreed to look at all the payroll matches this year. There were around 20 (approx..) of declaration of interests, mainly from consultants working elsewhere.
- There had been only one reactive investigation since the last Audit Committee which resulted in a 'no case to answer.'
- SC drew the Committee's attention to two late fraud cases. The reports were currently in draft for review by DM. SC reported £21,000 had been recovered in one of the cases.
- SRT actions for this year. Standard 1.4 in relation to risk management – risks identified would be taken to the next directors meeting and managed in line with the risk management policy.
- Standard 2.2 was in relation to the policy to be ratified.

14. Counter Fraud Policy Update

AR (10/19) 012

<ul style="list-style-type: none"> The Counter Fraud Policy had been updated and reviewed with no major changes other than with terminology for prevention and detection process improvements. This was accepted by the Committee. 	
14. Committee effectiveness	Verbal
The meeting was considered to be effective.	
15. Matters to raise to the Trust Board	Verbal
<ul style="list-style-type: none"> MP noted there was some progress of data quality improvement plan but there was still work to be done, particularly in identifying high priority areas aligned with the CQC. The financial system improvement plan was going well and many issues problematic at last year's audit had been resolved. There were changes to the Standing Orders. 	
16. Any other business	Verbal
No other items of business were received.	
Details of next meeting: Thursday 5 th December, from 15:30 to 17:00, Conference Room, Education Centre, Sandwell General Hospital	

Signed

Print

Date