

**Meeting of the Audit Committee
Held on 10 October 2018
at 10.25am in the Upper Lecture Theatre
Royal Papworth Hospital**

UNCONFIRMED

MINUTES

Present	Mr M Millar (Chair)	(MM)	Non-executive Director
	Dr S E Lintott	(SEL)	Non-executive Director
	Mr D Dean	(DD)	Non-executive Director (designate)
In Attendance	Mr R Clarke	(RC)	Chief Finance Officer
	Mrs A Colling	(AC)	Executive Assistant (Minutes)
	Mrs L Davies	(LD)	Internal Audit, RSM
	Mr G Edge	(GE)	Public Governor
	Mr J Farnell	(JF)	External Audit, KPMG
	Mr D Hughes	(DEH)	Non-executive Director
	Mr K Jackson	(KJ)	Public Governor
	Mrs A Jarvis	(AJ)	Trust Secretary
	Mr M Kidd	(MK)	Local Counter Fraud, RSM
	Mr T Merritt	(TM)	Local Counter Fraud, RSM
	Mrs O Monkhouse	(OM)	Director of Workforce & Organisation Development
	Dr R Zimmern	(RZ)	Non-executive Director
Apologies	Mrs K Caddick	(KC)	Non-executive Director
	Mrs S Beavis	(SB)	External Audit, KPMG
	Dr R Hall	(RMOH)	Medical Director
	Mr J Hollidge	(JH)	Deputy Chief Finance Officer
	Mr M Jones	(MJ)	Internal Audit, RSM
	Mrs E Midlane	(EM)	Chief Operating Officer
	Mr S Posey	(SP)	Chief Executive
	Mrs J Rudman	(JR)	Chief Nurse

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1 WELCOME, APOLOGIES AND OPENING REMARKS

18/89 The Chair opened the meeting and apologies were noted as above. The Chair welcomed DEH and RZ who were attending as Chairs of the Performance Committee and Quality & Risk Committee, as part of annual governance requirements.

2 DECLARATIONS OF INTEREST

There is a requirement that Board members raise any specific

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Chair	10.10.18
MK	23.1.19

declarations if these arise during discussions. The following standing Declarations of Interest were noted:

18/90

- i. Susan Lintott – in regard to positions held within the University of Cambridge, particularly in relation to fundraising.
- ii. Dr Zimmern reported a change relating to his role as Chairman of the Foundation for Genomics and Population Health (the "PHG Foundation"). The Foundation continues as a separate legal entity with its own Board of Trustee but as such became a fully owned subsidiary and linked exempt charity of the University of Cambridge on 1 April 2018.
- iii. Dave Hughes as a NED of Health Enterprise East (HEE).
- iv. David Dean as Chair of Essentia, a commercial subsidiary of Guy's and St Thomas' NHS FT.

3 MINUTES OF THE PREVIOUS MEETING – 11 July 2018

18/91

It was noted that under section 18/82, the Quality & Risk minutes were available and had been presented to the Board but were not presented to the Audit Committee. The Chair agreed that the correction could be taken within these minutes as noted here.

Approved: The Audit Committee approved the Minutes of the meeting held on 11 July 2018, with above amendment, and authorised these for signature by the Chair as a true record.

4 MATTERS ARISING/ACTION CHECKLIST

18/92

The Audit Committee reviewed the Action Checklist and updates were noted.

5 LOCAL COUNTER FRAUD

18/93

i) Progress Report

MK presented the report which showed the up to date position. He attends the monthly Trust Induction session and continues to present counter fraud awareness training on site. Training to nursing staff is not easy to fit around shift patterns and work commitments but MJ had worked with nursing staff to attend a Sisters' meeting which was well received and followed by one referral. MK will attend Ward meetings with a 5 minute slot, to keep up counter fraud awareness. MK works on site one day a week, where this time is used for referral follow up and training. Due to the nature of counter fraud referrals, staff prefer to meet in confidence and this can be arranged on site if required.

TM advised that since 2017, RSM have focussed on raising counter fraud awareness with staff and some positive working is coming out of this; RSM is happy to share these numbers to the Committee. RC advised that a 20% annual interaction figure with staff would be the ideal; this includes those new starters at the Induction session, but also staff with 10 years+ service who may need a refresh on counter fraud awareness. OM added that the Trust is in the process of introducing a staff hand book which would benefit from including a

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counter fraud section; RSM to liaise with OM regarding this. MK advised that bespoke training is covered under the contract and he ensure that focused training is directed to relevant areas, such as Consultants and private patient work. Focus has been on training clinical staff at the hospital site; it was noted that refresher training for back-office staff working out of Royal Papworth is in the pipeline.

Noted: The Audit Committee noted the update on counter fraud.

18/94 **ii) NHS – benchmarking of internal audit findings 2017/18**

TM presented this report which is for information purposes to give context to how the Trust compares as a specialist hospital, to other NHS organisations.

RC advised that this had been reviewed at by the Executive Team; the report gives assurance that the Trust is focusing on areas that have weakness and aiming for improvement; which correlates to movement on risk ratings.

Noted: The Audit Committed noted the contents of this report.

18/95 **iii) Notice Fraud – September 2018**

The report was submitted to the Committee for information. MK advised of a significant fraud at another organisation which is construction based. In the light of the move to the new Royal Papworth Hospital, this had been discussed with RC who assured the Committee that the Trust’s controls are robust.

SEL asked if a declaration of interest was required for those staff with secondary employment. OM advised that in general the answer to this is no, unless there is a conflict of interest when it should be declared. OM advised that there are different requirements for different categories of staff. MK will liaise with OM to see where there is an opportunity to raise awareness within our documentation.

Noted: The Audit Committee noted contents of this update.

6
18/96 **INTERNAL AUDIT – RSM**
a) Progress Report

LD presented this report and advised that no items had been finalised since the last meeting in July. One draft audit had been issued on CQC Reporting, which was reporting a positive assurance.

RSM had since met with RC when the audit plan had been rephrased due to the delay in hospital move; in this respect a new audit had been added on Business Continuity, which was timely and relevant to the hospital move delay. DD asked how much contingency there was in the current plan. LD advised that prior to rephrase there had been contingency; she reassured the Committee that RSM meet with RC on a monthly basis to review the plan. The Chair added that RSM

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have a good track record of flexing the audit plan according to requirements, with the Audit Chair involved in decision making. Should RSM uncover a substantial risk, then the protocol is that this is discussed with the Audit Chair prior to a report being issued.

Noted: The Audit Committee noted the Internal Audit Progress Report 2017/18.

7 BOARD ASSURANCE FRAMEWORK (BAF)
18/97

The Committee received this report from the Trust Secretary. The Chair advised that there had been a Board Workshop focussing on BAF last week, and that following this meeting, some Board members were meeting to discuss the finance/performance related risks.

AJ advised that the following a request at the last meeting, the tracker document details running trends; noting all the items on the BAF and not those just those rated red, which should help give context.

RC referred to the recent BAF Workshop where it was discussed how risk should be presented to the Board. It was noted that the new presentation needs to meet Audit Committee requirements. It is important to understand and focus on what the new report is telling us and not just on how it is telling us. The Chair concurred with this view, and was concerned that too much time is spent on design and not using the information contained within it.

RC advised that the hospital move will see a reduction in some large risks; notwithstanding the concern around inherent risks on current trading and CIPs.

RC referred to the Datix reporting system and use of audit. He noted the new infrastructure that sits against this work the need to ensure BAF reporting is designed to be usable and that the correct items are linked to the BAF.

The Committee discussed risk appetite and how this is determined. DD referred Risk 1427 'Failure to reach operational financial plan 2016/17'; RC explained how this risk was rated and how each strand of strategy has risks linked to it.

RZ referred to Risk 1511 with a risk score of 15; he would like to see a probability as he is unclear that probability is assessed 1-5 equally across each area.

The Chair highlighted the need to keep an eye on where risks have changed and have the risks been changed correctly with evidence of this. It was acknowledged that some of the supporting information sits in PIPR which is not reported to Audit Committee, but is seen in detail at Performance Committee and Board.

DD queried the different dated reports within this section and suggested that it would be helpful to have reports to same date.

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AJ	23.1.19
JR	tbc

In summary, the Chair asked:

- Are there any items missing or other concerns not already raised?
- Does where we are reported as being in September 2018 feel right?

The Committee expressed assurance on both points with no other items raised.

Noted: The Audit Committee noted the update on the BAF. AJ to note the comments from discussion and pick up in future BAFreporting.

8 GOVERNANCE ASURANCE OVERVIEW

8a
18/98 The Chair thanked DEH and RZ for attending today's meeting. He acknowledged the copies of Chair's reports which had previously been submitted to the Board; these gave an overview of the work of these Committees (Quality & Risk, Performance and Strategic Performance). The Chair added that there is the opportunity to surface any issues and as an overall governance structure does this feel right?

It was also noted that this starts off the annual review cycle for Committees, with the annual self-assessment of Committees scheduled for the January 2019 Board meeting.

Quality & Risk Committee – Chair's Reports 17 July and 11 September

RZ wanted to congratulate the hospital and staff for maintaining a high quality of work under challenging times, particular relating to workforce issues and the delay in hospital move. He felt that nursing staff had been well supported by Human Resources and this has shown through in good results on clinical indicators.

He acknowledged the detailed work via PIPR on indicators but felt that the quality of the hospital is something which should be embedded in its culture. He was pleased to see the work undertaken by the Chief Nurse and Stephen Webb achieving a quality basis in the hospital but would like to see this more positive work on culture reported up to Board. He added that there is always room for improvement in this area with a systematic process to do this.

DD referred to the Chair's report of 17 July meeting and the governance issues raised within the Transplant Unit due to a period of high activity. This referred to activity over one weekend which had seen five transplants undertaken; notwithstanding the good outcomes, some governance issues had been highlighted which had since been addressed by the Chief Nurse and the Unit with new protocols developed to ensure clinical control.

It was noted that some items are discussed at Board and then also at this Committee i.e., Chair's reports and minutes; this is for governance control purposes.

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RC	tbc

Noted: The Audit Committee noted the Quality & Risk Committee Chair's update.

[1120hrs RZ left the meeting]

8b **Performance Committee – Chair's Reports**
18/99 26 July, 30 August and 27 September

DEH advised that he had taken this opportunity to review the Chair's reports and how the meetings were run.

- The was a strong set of standing Agenda items, referenced to the BAF. The reports were of high quality which are well scrutinised by the Committee.
- Referring to capacity assumptions (Length of Stay, patient flow etc), he would like to see some deep dive reports on the Agenda on a quarterly or bi-annual basis.
- Attendance is generally good but has been short of NED members on some occasions.
- Overall the PIPR report has rated as much 'red' as 'amber' and not 'green'. One concern is the suggestion to lower some targets in order to move to 'green' which he disagreed with. He acknowledged that we set our our high targets/standards and that these standards should only change when an item is 'green' not 'red'.
- The PIPR has seen only a few small errors over the years; it is very comprehensive and there is a high degree of confidence in the data.
- The Committee varies the focus on items month on month particular to current relevancy.
- RC added that the Committee has responded quickly and helped with large approvals in PFI process which have been time critical. DEH added that it has been bonus for the Committee to see these items without losing sight of 'business as usual' items.

Noted: The Audit Committee noted the Performance Committee Chair's update.

8c **Strategic Projects Committee – Chair's Reports**
18/100 26 July, 30 August and 27 September

DEH advised that this was a fairly new Committee created approximately 18 months' ago to focus on strategic projects. Predominantly this work had focussed on new Royal Papworth Hospital and two significant re-plans due to delayed move; this covering items of risk such as construction, cladding, land sale, car parking, histopathology) giving transparency it that process.

DEH acknowledged the work by Internal Audit on the refreshed Master Commissioning Programme, which had focussed on the quality of the plan, had proved useful; this had resulted in a good quality plan, now in its third iteration.

The Committee had focussed on the quality of execution of the plan

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and good tools and data enabling this to happen. The number of outstanding actions had been high at some points and this has been taken on board and brought down. He felt that the most important decision centred on the recent hospital delay and the Committee had been afforded excellent data to enable a decision; although it was sad to be re-planning and not moving.

DEH acknowledged the work coming through on ICT projects which had sometimes taken a back seat to the time critical new Royal Papworth Hospital requirements.

It was noted that the domain of 'Transformation' within PIPR is not discussed at Performance Committee but deferred to the Strategic Projects Committee for detailed discussion and also seen at Board.

RC noted that as things move forward, there will be more emphasis on lower level Committees and the need to ensure that the Board is cited on these; cross membership of Committees helps here. In this respect, DEH suggested that four NEDS be assigned to each Committee to ensure quoracy and overlap.

RC added that Chairs of Committees will be contacted regarding completion of the annual self-assessment.

Noted: The Audit Committee noted the Strategic Project Committee Chair's update.

8d
18/101 **Managing Conflicts of Interest**

AJ presented this report which provided a progress report on the implementation of the updated policy Management of Conflicts of Interest (DN313).

The new declaration of interest form has been widely communicated to all staff; a cohort of 75 'decision making' staff has been identified who have been requested to submit a declaration (or nil declaration) by the end of September. Replies are being chased to enable the updated register to be published on the Trust's website at the end of October; staff are made aware that the register will be in the public domain.

The Chair expressed his thanks for the good progress on this piece of work. As a governance check, he would encourage the Audit Committee to review a small number of declarations at Committee on a regular basis.

AS part of counter fraud governance, MK added that Consultant colleagues should be aware that their record can be cross-checked against pharmaceutical company registers. MK offered to undertake this cross-check on behalf of the Trust when the Trust register is complete.

In answer to DD query on whether are any budget holders not covered with the cohort of 75, it was noted that some subsidiary Ward

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AJ	tbc
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Sisters may not be included when they are covering for a regular budget holder.

Noted: The Audit Committee noted the update on implementation of Managing Conflicts of Interest and the further plans for review and publication.

9
i)
18/102

CHARITY ANNUAL REPORT AND ACCOUNTS 2017/18
Annual Accounts

SEL confirmed that the Annual Accounts had been reviewed and approved by the Charitable Funds Committee on 12 September with recommendation for approval to the Audit Committee and Board of Trustees.

JF of KPMG advised that the audit was almost complete and had gone well with only minor changes required. He confirmed compliance with the Charities' Statement of Recommended Practice (SORP).

The Auditors have one minor recommendation which is that the Trust reviews the reserves policy of the Charity to make it more explicit.

MM queried one item on the draft accounts where a line had been drawn through pages 23-24 Independent Auditor's Report. JF advised that the format of reports across whole sector was being changed; at the time of the draft submission this was not in correct format, but the text was correct and that the line crossed through was to ensure that this copy was not signed.

During discussion the following items were noted/discussed:

- Page 39, Section Other Provisions – what does this relate to. RC explained that this relates to commitments to the new hospital which have been held off due to the change in move date (such as HLRI monies, new equipment and other smaller items); he explained that all items approved but not yet spent are included here.
- JF added that the Charities' SORP is slightly different to normal accounting standards.
- DD noted the large swing on legacy income and do we have a legacy programme. RC advised that the Trust has a Grateful Patient and Legacy programme. The Trust is also working with CUDAR (Cambridge University Development Alumni Relations) on the Grateful Patient programme and high worth individuals regarding the HLRI.

The Auditors proposed an unqualified opinion on the financial statements. There are no issues on the accounting policies. JF advised that the accounts were of good quality. All auditing matters are complete apart from a final check of the amendments to the Annual Report.

ii) Annual Report

18/103

SEL advised that the Charitable Funds Committee did not have access to the draft Annual Report at its 12 September meeting. SEL has now received and reviewed this with the following key points:

- The Chairman's report to include legacies otherwise the numbers do not marry.
- Queried the use of wording "cutting edge" equipment.
- How best to describe the DCD programme when this is not specifically named as 'Donation After Circulatory Determined Death (DCD) Donor'.
- Typos to be corrected as handwritten by SEL on the draft copy.

RC advised that the draft Annual Report have been passed to the Auditors (KPMG) for review and these further amendments can be incorporated. The Chair advised that these minor changes will be delegated to the Chief Finance Officer for authorisation and will not need to be referred back to the Audit Committee.

Approved: The Audit Committee approved the Annual Report and Accounts 2017/18 and recommended these for approval to the Board of Trustees. The Audit Committee approved delegated authority to the Chief Finance Officer regarding minor amendments to the Annual Report.

iii) ISA 260 and Letter of Representation

18/104

Noted and approved: The Audit Committee noted the ISA 260 and authorised the signature of the Letter of Representation on behalf of the Board of Trustees to be send to KPMG LLP.

10 LOSSES AND SPECIAL PAYMENTS REPORT

18/105

Noted: The Audit Committee noted the Losses and Special Payments report, with the summary of reimbursements made noted at Appendix A.

11 BAD DEBT WRITE OFF

18/106

The report updated the Committee on the small debt write off following review of outstanding overdue debts.

The Committee took the opportunity to discuss overseas patient payments and policies the Trust has in place to recoup these monies.

Noted: The Audit Committee noted that there were no outstanding overdue debts to report to the meeting.

12 POLICY FOR THE ENGAGEMENT OF EXTERNAL AUDITORS FOR NON-AUDIT WORK

18/107

AJ presented the Audit Committee with the changes to the Policy for

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AJ	23.1.19

the Engagement of External Auditors for non-audit work. These related to minor amendments such as titles and names.

It was confirmed that no non-audit work has been requested during the last year.

Approved: The Audit Committee approved the changes made to the policy.

**13 (a) Audit Committee Forward Planner
(b) Any other items for the next meeting**

18/108

The Committee received the Forward Planner from AJ. DD, as Audit Chair designate, confirmed he has reviewed this and given his comments to AJ.

Noted: The Audit Committee noted the Committee Forward Planner and suggested amendments/updates.

14 ANY OTHER BUSINESS

18/109

The Committee noted this was MM's last meeting as Audit Chair, as he steps down from his Non-executive Director role at the close of his term of office on 31 October 2018. MM thanked all those connected with the Audit Committee; Auditors past and present, Governor representatives and NEDS for their support to this Committee and wished everyone well.

In return, the Committee expressed thanks to MM for his commitment as Chair of Audit since 2011.

15 FUTURE MEETING DATES

18/110

- 2019 meeting dates**
 23 January
 14 March
 23 May
 10 July
 10 October

The meeting finished at 11.55am

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Signed

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Date

**Royal Papworth Hospital NHS Foundation Trust
 Audit Committee**
 Meeting held on 10 October 2018