

**TRUST BOARD**  
**30<sup>th</sup> July 2015**

<b>TITLE</b>	<b>Draft Minutes of the Audit Committee meeting held on 21<sup>st</sup> May 2015</b>
<b>EXECUTIVE SUMMARY</b>	<p>The attached are draft minutes of the Audit Committee meeting held on 21<sup>st</sup> May 2015. The main points considered were: -</p> <ul style="list-style-type: none"> <li>• <b>Losses &amp; Special Payments</b> – approved the losses for the second half of 2014/15;</li> <li>• <b>Internal audit</b> – reviewed the Head of Internal Audit Opinion which gave significant assurance for 2014/15;</li> <li>• <b>Annual Report and Accounts</b> – reviewed and approved the annual report and accounts prior to Board approval;</li> <li>• <b>Monitor Code of Governance</b> – reviewed a report on the Trust's compliance with the 2014 Code of Governance; and</li> <li>• <b>Annual Report to the Trust Board</b> – reviewed and approved the Committee's annual report to the Trust Board.</li> </ul>
<b>BOARD ASSURANCE (Risk) / IMPLICATIONS</b>	The Board is assured by the scrutiny provided by the Audit Committee on matters of risk.
<b>ALIGN TO TRUST RISK REGISTER</b>	Links to all risks considered by the Audit Committee.
<b>STAKEHOLDER / PATIENT IMPACT AND VIEWS</b>	Internal and external audit reports and Local Counter Fraud Specialist updates are reviewed at the meetings of the Committee. Recommendations are accepted by the Trust after engagement of the relevant area lead. Trust Annual Report and Accounts are published Trust documents.
<b>EQUALITY AND DIVERSITY ISSUES</b>	None that we are aware of.
<b>LEGAL ISSUES</b>	None noted.
<b>The Trust Board is asked to:</b>	Note the draft minutes of the Audit Committee meeting held on 21 <sup>st</sup> May 2015.
<b>Submitted by:</b>	Terry Price, Non-Executive Director/Audit Committee Chair Paul Doyle, Deputy Director of Finance
<b>Date:</b>	25 <sup>th</sup> June 2015
<b>Decision:</b>	For Noting

**TRUST BOARD**  
**Date: 30<sup>th</sup> July 2015****Title: Minutes of the Audit Committee Meeting held on 21<sup>st</sup> May 2015**

<b>PRESENT:</b>	Mr. Terry Price Mr. Clive Goodwin Mr. Nadeem Aziz	Non-Executive Director and Committee Chair Non-Executive Director Non-Executive Director
<b>IN ATTENDANCE:</b>	Mr. Paul Doyle Mr. Simon Marshall Ms. Dakshita Takodra Mr. Neil Hewitson Ms. Charlotte Goodrich Mr. George Roe Ms. Louise McKenzie	Deputy Director of Finance Director of Finance and Information TIAA (Internal Audit) KPMG (External Audit) KPMG (External Audit) Head of Corporate Affairs Director of Workforce Transformation (agenda item 4.3)
<b>SECRETARY:</b>	Ms. Miriam Bateson	Head of Financial Services
<b>APOLOGIES:</b>	Mr. Paul Grady	TIAA (Internal Audit)

**1. Introductions and Apologies for Absence**

Apologies are as listed above.

**2. Minutes of Previous Meeting****Minutes of the Meeting held on 19<sup>th</sup> March 2015**

The minutes of the meeting held on 19<sup>th</sup> March 2015 were approved.

**3. Matters Arising****3.1 Actions List**

The Committee reviewed the Actions List and noted that two items were now complete, one of which was also covered under agenda item 4.3. The third action point was item 6.6 on the agenda.

Terry Price also informed the Committee that the new LCFS contact, Grant Bezuidenhout, has been in touch and has started work for the Trust.

**4. Internal Audit****4.1 Internal Audit Report - Progress Report**

Dakshita Takodra presented the progress report from TIAA which included the following:

(i) Internal audit plan status report – final reports have been issued for the two audits detailed in (ii) below. It was noted that the Information Governance Toolkit audit received reasonable assurance, not substantial, as per section 4 of the progress report.

(ii) Summaries of final reports issued for the following completed audits:

a) Income – Critical Care and Test Fee Recharges

This report concluded that there was reasonable assurance in this area. In total five recommendations had been made all of which were ranked as important.

The Committee noted that the implementation dates against recommendations 4 and 5 should read 31<sup>st</sup> July 2015, not 2014.

Nadeem Aziz asked for clarity over the scale of the challenge and the potential exposure. Dakshita Takodra confirmed that these were two fairly small areas of risk that TIAA were aware of from their work at other Trusts and that material risk areas within income were already covered by the core finance audits.

b) Information Governance Toolkit Part II

This report concluded that there was reasonable assurance in this area. In total three recommendations had been made of which one was ranked as important and two as routine.

(iii) A database of progress with implementing internal audit recommendations:

- of the 3 recommendations outstanding from 2013/14 audits, two have now been evidenced and the remaining 1 is work in progress.

- of the 18 recommendations in relation to 2014/15 audits, 2 have now been evidenced and the latest position of the remaining 16 was:

- 3 implemented;
- 8 not yet due;
- 4 work in progress; and
- 1 outstanding

(iv) Progress against the 2015/16 Annual Plan:

Planning has commenced for two audits and scopes have been issued for a further two.

The Committee noted the Internal Audit Progress report.

4.2 Internal Audit Annual Report (incl Head of Internal Audit Opinion)

Dakshita Takodra presented the Internal Audit Annual Report. This included the Head of Internal Audit Opinion at Annex A which gave an overall opinion of significant assurance.

The Committee discussed the Direction of Travel section of the report within the Audit Summary on page 3 and requested further information about the 10

operational effectiveness issues raised from audits carried out in the year – DT  
mainly to establish who the responsibility sits with to resolve.

The Committee noted the Internal Audit Annual Report

4.3 Update on Consultant Job Planning Review Audit

The Director of Workforce Transformation presented an update on progress with the action points arising from the internal audit review of Consultant Job Planning which had resulted in limited assurance.

Having met to review the audit report and discuss the action points, the Medical Director and Director of Workforce Transformation feel that the current action plan focuses on corporate responsibilities and that more divisional involvement is required in order to improve the position.

The Committee agreed that the Director of Workforce Transformation would bring a more detailed action plan to the next Audit Committee meeting clarifying divisional actions and that a further update would be brought to the October 2015 meeting. LM

The Committee noted the consultant job planning review update.

**5. Local Counter Fraud Specialist (LCFS) Annual Report**

The LCFS Annual Report was for information only. Terry Price requested that we should ensure that any outstanding NFI issues are brought to a conclusion, particularly the work permit issue – although this was reported by the previous LCFS the new LCFS would be requested to provide an update in the next quarterly report. GB

The Committee noted the report.

**6. External Audit**

6.1 Losses & Special Payments 6 months to 31<sup>st</sup> March 2015

The Deputy Director of Finance presented a summary of Losses and Special Payments made during the 6 months to 31<sup>st</sup> March 2015.

The Committee approved the payments.

6.2 Revaluations Update

The Deputy Director of Finance presented a report setting out the details of the revaluation reviews carried out during 2014/15 and also an assessment of the value of land and buildings as at 31<sup>st</sup> March 2015 in relation to the whole estate valuation which took place on 1<sup>st</sup> April 2014. In addition the report noted that the Trust will not wait 5 years for its next review of land and building values.

The Committee noted the report.

6.3 KPMG - Progress Report

Neil Hewitson presented KPMG's External Audit Progress Report which updated the Committee with work performed since the March 2015 Audit

Committee meeting. This work was covered in detail in three following agenda items, 6.4 (ISA260 Audit Highlights Memorandum), 6.5 (external assurance report on Quality Report and 6.11 (Management Representations letter).

The progress report also detailed the work planned for the following period which included preparing for the 2014/15 charitable funds audit.

The Committee noted the report.

#### 6.4 KPMG – ISA260 Audit Highlights Memorandum

Neil Hewitson presented KPMG's ISA260 Audit Highlights Memorandum for 2014/15.

The report concluded that the Trust had adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Following the Board adopting the accounts and receipt of the management letter the intention was to issue an unqualified audit opinion.

There were no unadjusted audit differences. However there had been some minor presentational changes required to the accounts. In addition, a specific management representation had been requested over the valuation of land and buildings.

There were two recommendations made as a result of the 2014/15 audit work, both of which were identified during the interim audit and had been accepted by the Trust.

In relation to the Quality Accounts the Trust had achieved a clean limited assurance opinion on the content of the Quality Report which represents an unqualified audit opinion. However, a limited assurance opinion could not be issued on the two Monitor mandated indicators due to a combination of system and process weaknesses and data exceptions. In addition, improvements would be required in order for a limited assurance opinion to be issued in future on the Governor selected indicator relating to the sepsis bundle.

The Committee discussed the findings arising from the Quality Accounts indicator testing in more detail and noted that KPMG's external assurance report on the Quality Report (agenda item 6.5) was on the IGAC agenda later that day.

Neil Hewitson thanked the Finance team for their engagement in the annual accounts process and Erica Heppleston for her work on the Quality Report.

The Committee approved the report.

#### 6.5 KPMG – Report on Quality Account

The key points arising from KPMG's external assurance report on the Quality Report had already been discussed in detail at agenda item 6.4 and, as already noted above, the Quality Report was on the IGAC agenda later that day. Whilst the Audit Committee have oversight, IGAC has responsibility for leading implementation of any recommendations

The Committee noted the report.

#### 6.6 Annual Report

Subject to some minor changes being separately notified to the Head of Communications, the Committee approved the report and recommended it to the Trust Board.

#### 6.7 Quality Account

The Committee approved the report and recommended it to the Trust Board.

#### 6.8 Financial Review & Remuneration Report

The Deputy Director of Finance presented the Financial Review and Remuneration Report.

The report included the Trust's 2014/15 Annual Governance Statement which reported three significant internal control issues in relation to the failure of the Trust to meet the four hour waiting time target, the Referral to Treatment Time target and cancer targets in quarter four of 2014/15.

The format of the Annual Governance Statement included a new section on Information Governance (IG) and the Committee noted that it had been a good year for the IG team. In relation to the one "level 2" incident recorded in the year, which was reported to the Department of Health and the Information Commissioner's Office, the Committee noted that no further action was to be taken.

Subject to some minor changes the Committee approved the Financial Review & Remuneration Report and recommended it to the Trust Board.

#### 6.9 Annual Accounts

The Deputy Director of Finance advised the Committee that since the Accounting Policies Review paper presented at the March 2015 meeting there had been a minor change to the Key Sources of Estimation Uncertainty section of accounting policy note 1.2 in relation to the valuation of land and buildings.

The Committee approved the Annual Accounts and recommended them to the Trust Board.

#### 6.10 Schedule of Adjusted and Non Adjusted Items

The Deputy Director of Finance presented the Schedule of Adjusted and Non-Adjusted Items which was noted by the Committee.

#### 6.11 Management Representations Letter

The Management Representations Letter for the financial statements was in standard format apart from paragraph 14. Paragraph 14 had been added to provide a specific representation on the valuation of land and buildings to confirm that the valuation reported at 31 March 2015 is not materially different to the expert valuation undertaken as at 1 April 2014.

The Deputy Director of Finance advised the Committee that the wording of the Management Representations Letter for the 2014/15 Quality Report was

still being agreed. It was agreed that a copy would be circulated to Audit Committee members as soon as available. PD

The Committee approved the Management Representations Letter for the financial statements and recommended it to the Trust Board.

**7. Regulatory and Governance**

7.1 Monitor Code of Governance

The Head of Corporate Affairs presented a report on the Trust's compliance with Monitor's Code of Governance 2014 and confirmed that the Trust is compliant with all but one provision, B2.2, which relates to whether the Board and Governors meet the "fit and proper" persons test described in the provider licence. The Trust is required to comply or explain non-compliance with this particular provision.

The Head of Corporate Affairs detailed the work completed to date in order to achieve compliance as well as the legal advice that had been sought.

The Committee noted the report and discussed the issue and the work in place and was satisfied that a disclosure of non-compliance was not required in the Annual Report.

7.2 Draft Annual Report from the Audit Committee to the Trust Board

Terry Price presented the Draft Annual Report from the Audit Committee to the Trust Board.

The Committee approved the report.

**8. Any Other Business**

8.1 Private Discussions with Auditors

Terry Price reported that he had held private discussions with the external auditors on 3<sup>rd</sup> March 2015 and 11<sup>th</sup> May 2015 regarding their interim and final audit findings respectively. KPMG confirmed that there were no further matters they wished to bring to the attention of the Audit Committee – other than those set out in their formal reports considered elsewhere on the agenda.

**9. Date and time of Next Meeting**

Thursday 23<sup>rd</sup> July 2015, at 11.00am in Room 3 Chertsey House, St. Peter's Hospital.