

TRUST BOARD
25th October 2018

AGENDA ITEM NUMBER	16.4	
TITLE OF PAPER	Audit and Risk Committee Minutes	
Confidential		
Suitable for public access	√	
PLEASE DETAIL BELOW THE OTHER SUB-COMMITTEE(S), MEETINGS THIS PAPER HAS BEEN VIEWED		
These minutes were reviewed by the Audit & Risk Committee at its meeting held on 18 th October 2018.		
STRATEGIC OBJECTIVE(S):		
Quality of Care	√	
People	√	
Modern Healthcare	√	
Digital	√	
Collaborative	√	
EXECUTIVE SUMMARY	<p>The minutes of the Audit Committee meeting held on 23rd May 18 are attached.</p> <p>Most of the items contained within these minutes have already been reviewed at Trust Board meetings in May and subsequently.</p> <p>As agreed earlier in the year the Committee did not meet in July.</p> <p>Terms of Reference of the new Audit & Risk Committee have now been approved and the Committee started working to these at its October meeting.</p>	
RECOMMENDATION	Receive and note the paper	
SPECIFIC ISSUES CHECKLIST:		
Quality and safety		
Patient impact		
Employee		
Other stakeholder	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.	
Equality & diversity		
Finance		
Legal		
Link to relevant Board Assurance	Audit plans aligned to key organisational risks.	

Framework Principle Risk	
AUTHOR NAME/ROLE	Paul Doyle, Deputy Director of Finance Please approach for any further information required.
PRESENTED BY DIRECTOR NAME/ROLE	Keith Malcouronne, Non-Executive Director and Committee Chair
DATE	18 th October 2018
TRUST BOARD ACTION	Receive

TRUST BOARD
25th October 2018

AUDIT COMMITTEE MEETING
MINUTES
23RD MAY 2018

PRESENT:	Mr. Keith Malcouronne Mr. Meyrick Vevers Ms. Marcine Waterman	Non-Executive Director and Committee Chair Non-Executive Director Non-Executive Director
IN ATTENDANCE:	Mr. Simon Marshall Mr. Paul Doyle Mr. Andy Field Ms. Suzanne Rankin Mr. Mark Ferasol Mr. Neil Hewitson Ms. Charlotte Goodrich	Director of Finance and Information Deputy Director of Finance Chairman Chief Executive BDO (Internal Audit) KPMG (External Audit) KPMG (External Audit)
SECRETARY:	Ms. Miriam Bateson	Head of Financial Services
APOLOGIES:	Mr. Greg Rubins Mr. James Shortall	BDO (Internal Audit) BDO (LCFS)

1. Introductions and Apologies for Absence

Keith Malcouronne welcomed everyone to the meeting and apologies for absence were noted. Marcine Waterman introduced herself to the Committee.

2. Minutes of Previous Meeting

Minutes of the Meeting held on 22nd March 2018

The minutes of the meeting held on 22nd March 2018 were approved.

3. Matters Arising

3.1 Actions List

The Committee noted the updates for the three items on the actions list.

4. Internal Audit

4.1 Progress Report

Mark Ferasol presented the progress report from BDO which included the following:

- (i) progress against the 2017/18 Annual Plan;
- (ii) Key Performance Indicators; and
- (iii) Sector updates.

The progress report showed that three audits have been completed (see 4.2, 4.3 and 4.4 below), with a further three audits in progress, namely Workforce Planning (17/18), Safeguarding Children (18/19) and Governance: iMSK (18/19).

The Committee noted the Internal Audit Progress report.

4.2 Internal Audit Report – Cyber Security

Mark Ferasol presented the internal audit report on Cyber Security which had been given a moderate assurance for design and a limited assurance for operational effectiveness. One high level, three medium level and two low level recommendations had been made.

The Committee noted the report.

4.3 Internal Audit Report – Medicines Management

Mark Ferasol presented the internal audit report on Medicines Management which had been given a moderate assurance for design and a limited assurance for operational effectiveness. Two high level and one medium level recommendation had been made. One of the key findings was that the procedure for managing controlled drugs was not being consistently followed by Trust staff and the Committee discussed the implications of this.

The Committee noted the report.

4.4 Internal Audit Report – Joint Delivery Programme: CIPS/QIPP/QSIA

Mark Ferasol presented the internal audit report on Joint Delivery Programme: CIPS/QIPP/QSIA which had been given assurance as follows:

Design

CIPS: substantial

QSIA: moderate

QIPP: limited

Operational effectiveness

CIPS: substantial

QSIA: limited

QIPP: limited

Two high level recommendations had been made.

Meyrick Vevers asked if the findings, particularly in relation to QIPP, would be shared with the CCG and the Director of Finance and Information confirmed that they already had been.

The Committee noted the report.

4.5 Internal Audit Recommendations Follow-Up Report

Mark Ferasol presented an update of progress with implementing internal audit recommendations. Of the 6 remaining recommendations raised by previous auditors, TIAA, 3 have been completed and the remaining 3 are in progress.

There are 40 recommendations from the current year audit plan, all of which are not yet due for follow up.

The Committee noted the Internal Audit Progress report.

4.6 Internal Audit Annual Report and Head of Internal Audit Opinion

Mark Ferasol presented the Internal Audit Annual Report and Head of Internal Audit Opinion which gave an overall opinion of moderate assurance.

The Committee raised concerns about the use of graphics within the report and asked if a plain text version could be provided in future as an alternative. Mark Ferasol noted this request.

The Committee noted the Internal Audit Annual Report.

5. Local Counter Fraud Specialist (LCFS)

5.1 LCFS Annual Report for 2017/18

In the absence of James Shortall the Committee agreed to re-table this agenda item at the next Committee meeting in October 2018.

PD

5.2 Briefing Note – NHS Counter Fraud Authority Self Review Tool and Assessment

The Committee noted the report in and requested that the NHS Counter Fraud Authority inspection report be brought back to the next Committee meeting.

PD

5.3 Briefing Note – Recent Fraud Cases in the NHS

The Committee noted the briefing.

6. Annual Report, Accounts and Quality Report 2017/18

6.1 Losses & Special Payments 6 months to 31st March 2018

The Deputy Director of Finance presented a summary of Losses and Special Payments made during the six months to 31st March 2018. This totalled £95,391.73 for the period, the significant majority of which (salary overpayments and bad debt write offs) were approved at the March Committee meeting.

Keith Malcouronne asked about the trend in overpayments and whether it was set to continue. The Director of Finance and Information advised that a few ideas were being looked into by the Payroll team aimed at minimising future overpayments. The Head of Financial Services advised that a joint team from Payroll and Finance meet regularly to review progress in recovering overpayments and agree follow up action.

The Committee approved the payments.

6.2 KPMG – External Audit Report ISA260 (Financial Statements and Quality Report)

Neil Hewitson presented KPMG's Audit Report ISA260 (Financial Statements and Quality Report) for 2017/18.

Financial Statements

There were no unadjusted audit differences, however there had been some minor presentational changes required to the accounts. Neil Hewitson thanked the Finance Team for producing a good first draft ready for audit. Keith Malcouronne asked if, in future, this first draft could also be circulated to Committee members.

Specific management representations had been requested over the recording and classification of NHS and non-NHS income, the valuation of land and buildings and the accuracy of submissions to NHS Improvement based on which Sustainability and Transformation Fund income has been claimed.

In addition, two audit recommendations had been made in respect of the financial statements.

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

Quality Report

Neil Hewitson reported that 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 NHSI mandated indicators due to the rate of errors found in the sample selected for 4-hour A&E. Following detailed testing on the indicators, combined with assessment of the control environment, KPMG's opinion is unmodified for 18 week RTT and modified for 4-hour A&E for 2016/17.

Work on the local indicator, two hour target for processing discharge prescription, as selected by Governors, has indicated that if KPMG were required to issue a limited assurance opinion on this indicator, then they would not be able to.

There were four recommendations arising all of which were raised following KPMG's interim audit work and updates had been provided.

The Committee discussed the findings arising from the Quality Accounts indicator testing in more detail and in particular the potential issues which could arise from interpretation of the findings as being related to quality of care rather than just data.

Value for Money

KPMG have concluded that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2018.

The Committee approved the report.

6.3 KPMG – Opinions on Financial Statements and Quality Report

Neil Hewitson presented the opinions on the Financial Statements and Quality Report which reflected the conclusions discussed at agenda item 6.2.

The Committee noted the opinions.

6.4 Annual Report (including Financial Review, Remuneration Report, Staff Report and Annual Governance Statement)

The Deputy Director of Finance highlighted the main areas of the report for the Committee. The Deputy Director of Finance advised the Committee that information was still awaited from NHS Pensions in respect of the Chief Nurse in order to complete the Remuneration Report and that, if not received in time, KPMG would need to change their opinion.

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

6.5 Quality Account

The Committee noted the report.

6.6 Annual Accounts

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

6.7 Management Representation Letters

The Management Representations Letter for the financial statements was in standard format apart from paragraph 15 which included specific representations over the recording and classification of NHS and non-NHS income, the valuation of land and buildings and the accuracy of submissions to NHS Improvement based on which Sustainability and Transformation Fund income has been claimed.

The wording of the Management Representations Letter for the 2017/18 Quality Report was all standard wording with no specific representations added for the Trust.

The Committee approved the Management Representations Letters and recommended them to the Trust Board.

7. Regulatory and Governance

7.1 NHS Code of Governance

The Deputy Director of Finance presented a report on the Trust's compliance with the NHS Foundation Trust Code of Governance 2017 which had been prepared by the Acting Company Secretary.

Subject to a few minor changes, the Committee approved the report.

PD

7.2 Draft Audit Committee Annual Report to the Trust Board

The Deputy Director of Finance presented the Draft Annual Report from the Audit Committee to the Trust Board.

In the section Governance, Risk Management and Internal Control Marcine Waterman suggested adding information about the National Fraud Initiative being reported to the Committee. In addition, both Mark Ferasol and Marcine Waterman suggested enhancements to the reporting of internal audit recommendations.

Subject to these changes, the Committee approved the report which would now be presented to the Trust Board.

PD

8. Any Other Business

8.1 Committee – Terms of Reference Review

The Deputy Director of Finance presented the Terms of Reference for review in terms of scope and membership following the Trust Board's proposed sub-Board committee structure which is aligned with the themes of NHS Improvement's Single Oversight Framework (SOF). The proposed Audit and Risk Committee would have Audit and Board Assurance Framework overview.

Keith Malcouronne proposed that a sub group of the Audit Committee was established to agree the revised Terms of Reference.

KM

8.2 Private discussions with auditors

All non-Committee members left the meeting to enable the Committee members to have private discussions with KPMG and BDO.

9. Date and Time of Next Meeting

Thursday 18th October 2018, at 11.00am in Room 2 Chertsey House, St. Peter's Hospital.