

**TRUST BOARD**  
**28<sup>th</sup> September 2017**

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|---|--|--|
| <b>AGENDA ITEM NUMBER</b>   | 7.3  |  |
| <b>TITLE OF PAPER</b>   | Draft Audit Committee Minutes  |  |
| Confidential  |  |  |
| Suitable for public access  | √  |  |
| <b>PLEASE DETAIL BELOW THE OTHER SUB-COMMITTEE(S), MEETINGS THIS PAPER HAS BEEN VIEWED</b>  |  |  |
| These are draft minutes and will be reviewed by the Audit Committee at its next planned meeting on 19 <sup>th</sup> October 2017. |  |  |
| <b>STRATEGIC OBJECTIVE(S):</b>  |  |  |
| Best outcomes   | √  |  |
| Excellent experience  | √  |  |
| Skilled & motivated teams   | √  |  |
| Top productivity  | √  |  |
| <b>EXECUTIVE SUMMARY</b>  | <p>The draft minutes of the Audit Committee meeting held on 18<sup>th</sup> May 2017 are attached for noting. The key points, most of which have already been considered by the Trust Board in signing off the Annual Report and Accounts in May, are: -</p> <ul style="list-style-type: none"> <li>• Losses &amp; Special Payments – approved the losses for the second half of 2016/17;</li> <li>• Internal audit – reviewed the Head of Internal Audit Opinion which gave substantial assurance for 2016/17;</li> <li>• Annual Report and Accounts – reviewed and approved the annual report and accounts prior to Board approval;</li> <li>• Monitor Code of Governance – reviewed a report on the Trust's compliance with the 2014 Code of Governance; and</li> <li>• Annual Report to the Trust Board – reviewed and approved the Committee's annual report to the Trust Board.</li> </ul> |  |
| <b>RECOMMENDATION</b>   | Receive and note the paper   |  |
| <b>SPECIFIC ISSUES CHECKLIST:</b>   |  |  |
| 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 Framework Principle Risk | Audit plans aligned to key organisational risks.  |
| <b>AUTHOR NAME/ROLE</b>                                   | Paul Doyle, Deputy Director of Finance<br>Please approach for any further information required. |
| <b>PRESENTED BY DIRECTOR NAME/ROLE</b>                    | Terry Price, Non-Executive Director and Committee Chair   |
| <b>DATE</b>   | 21 <sup>st</sup> September 2017   |
| <b>TRUST BOARD ACTION</b>                                 | Receive   |

**TRUST BOARD**  
**28<sup>th</sup> September 2017**

**AUDIT COMMITTEE MEETING**  
**DRAFT MINUTES**  
**18<sup>th</sup> May 2017**

|                       |  |  |
|-----------------------|--|--|
| <b>PRESENT:</b>       | Mr. Terry Price<br>Mr. Meyrick Vevers  | Non-Executive Director and Committee Chair<br>Non-Executive Director   |
| <b>IN ATTENDANCE:</b> | Mr. Simon Marshall<br>Mr. Paul Doyle<br>Mr. Paul Grady<br>Ms. Dakshita Takodra<br>Mr. Steffan Wilkinson<br>Ms. Charlotte Goodrich<br>Mr. Neil Hewitson | Director of Finance and Information<br>Deputy Director of Finance<br>TIAA (Internal Audit)<br>TIAA (Internal Audit)<br>TIAA (LCFS)<br>KPMG (External Audit)<br>KPMG (External Audit) |
| <b>SECRETARY:</b>     | Ms. Miriam Bateson   | Head of Financial Services   |
| <b>APOLOGIES:</b>     | Mr. Keith Malcouronne  | Non-Executive Director   |

**1. Introductions and Apologies for Absence**

Apologies are as listed above.

**2. Minutes of Previous Meeting**

Minutes of the Meeting held on 23<sup>rd</sup> March 2017

The minutes of the meeting held on 23<sup>rd</sup> March 2017 were approved.

**3. Matters Arising**

3.1 Actions List

The Committee reviewed the Actions List which contained seven items and the following points were noted:

- Item 1, Surrey Pathology Services internal audit – update given at agenda item 4.1;
- Item 2, complete;
- Item 3, the Deputy Director of Finance advised that he had only just received the updates on the recommendation implementation resulting from two audits and that he would circulate them outside of the meeting;
- Item 4, not yet due;
- Item 5, complete;
- Item 6, complete; and
- Item 7, see agenda item 6.3 (appendix 1, page 39).

PD

**4. Internal Audit**

#### 4.1 Internal Audit Report - Progress Report

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

- (i) Progress against the 2016/17 Annual Plan – three audits have been carried forward from 2016/17: The ICT Vital Signs Project audit scope has been agreed with fieldwork due to start mid-May and the focus of the ICT Access Target and Waiting List Management audits has been changed from RTT to A&E waiting targets and will be undertaken in June 2017.

The governance review of Berkshire and Surrey Pathology Service (BSPS) has been completed and a report has been issued to BSPS management. Paul Grady gave the Committee an overview of the results which were generally positive, with a small number of operational effectiveness recommendations for which actions are currently being agreed with BSPS management and Board.

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

- of the four recommendations outstanding from 2014/15 audits, two have now been completed but not yet verified, one is work in progress and one is not yet due.

- of the seven recommendations in relation to 2015/16 audits, five have now been completed but not yet verified and the remaining two are work in progress.

- of the thirty four recommendations in relation to 2016/17 audits, sixteen have now been completed but not yet verified, four are work in progress and fourteen are not yet due.

The Committee noted the Internal Audit Progress report.

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

Paul Grady presented the Internal Audit Annual Report. This included the Head of Internal Audit Opinion at Annex A which gave an overall opinion of substantial assurance.

The Committee noted the Internal Audit Annual Report.

### **5. Local Counter Fraud Specialist (LCFS)**

#### 5.1 LCFS Progress Report

Steffan Wilkinson presented an update report on progress with counter fraud matters highlighting the following points:

- a) Following submission of the Self-Review Tool to NHS Protect earlier in the year, the Trust has not been selected for an inspection;
- b) The TIAA led provider thematic exercise (focusing on single tender waivers) planned for all TIAA provider clients has been put on hold at the Trust pending the outcome of the internal audit and counter fraud services tender process, but the resulting report will be shared once

complete;

- c) No major concerns have yet arisen from the National Fraud Initiative (NFI) 2017/18 exercise; and
- d) Since the report was written, one new referral has been received from HR in relation to a suspected identity theft by a newly recruited member of staff.

The Committee noted the report.

## 5.2 LCFS Annual Report

Steffan Wilkinson presented the LCFS Annual Report which provided an overview of LCFS activities during 2016/17 including the Trust's annual self-review toolkit (SRT) submitted to NHS Protect in March 2017 which was assessed as green overall.

The Committee noted the report.

## **6. Annual Report, Accounts and Quality Report 2016/17**

### 6.1 Losses & Special Payments six months to 31<sup>st</sup> March 2017

The Deputy Director of Finance presented a summary of Losses and Special Payments made during the six months to 31<sup>st</sup> March 2017. This totalled £136,904 for the period, of which £108,130 related to bad debt write offs approved by the Committee during 2016/17.

The Committee approved the payments.

### 6.2 KPMG - Progress Report

The Committee noted the report.

### 6.3 KPMG – Audit Report ISA260 (Financial Statements and Quality Report)

Neil Hewitson and Charlotte Goodrich presented KPMG's Audit Report ISA260 (Financial Statements and Quality Report) for 2016/17.

#### *Financial Statements*

There were no unadjusted audit differences, however there had been some minor presentational changes required to the accounts and three numerical adjustments which were identified by the Trust. 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, no 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 samples selected. Following detailed testing on the indicators, combined with assessment of the control environment, KPMG's opinion is modified for 18 week RTT and 4-hour A&E for 2016/17.

Work on the local indicator, cancelled operations, 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 six recommendations arising. Five of these 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 noted that this external audit report was also being considered at the Quality and Performance Committee (QPC) that was being held at the same time as this meeting. The Chief Executive briefly joined the meeting to express QPC's concerns about references to a former member of Trust staff in KPMG's Quality Report recommendations and KPMG agreed to further anonymize the reference.

NH/CG

## *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 31<sup>st</sup> March 2017.

The Committee approved the report subject to the amendment agreed to the Quality Report recommendations.

## 6.4 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 6.3.

The Committee noted the opinions.

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

The Committee focussed its review on the Accountability Report and noted two concerns in relation to the Remuneration Report, one in relation to a negative figure on the Pension Benefits table on page 69 and the other in relation to the highest paid director referenced in the Median Salary section on page 66 which the Deputy Director of Finance agreed to look into.

PD

The Annual Governance Statement (AGS) was discussed in detail and the following was noted in addition to the sections already highlighted as being incomplete:

- the key issues and risks on page 109 should be cross-checked to those

- listed on page 19;
- consideration should be given to amending the key issues and risks to include cyber security; and
- the details provided on page 116 for Incidents reported to the Information Commissioner's Office should be reduced.

SM

Subject to resolution of the issues detailed above, the Committee approved the report and recommended it to the Trust Board.

#### 6.6 Quality Account

The Committee noted that the Quality Account was being considered at the Quality and Performance Committee being held at the same time and agreed that the most important outcome was the action plan arising from KPMG's recommendations.

The Committee noted the report.

#### 6.7 Annual Accounts

The Deputy Director of Finance gave an overview of the Annual Accounts and reported that there had been some changes agreed with KPMG following the draft submission to NHSI in April, details of which were reported under agenda item 6.8. In addition one further change was required to Note 4. Other Operating Income to reclassify £600k from Education and Training to Other.

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

#### 6.8 Schedule of Adjusted and Non Adjusted Items

The Deputy Director of Finance presented the Schedule of Adjusted and Non-Adjusted Items.

The Committee noted the report.

#### 6.9 Management Representations 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 2016/17 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 2016 which had been

prepared by the Acting Company Secretary.

The Committee agreed that items B.4.1 and E.1.6 should be marked as “comply” and, subject to this, approved the report.

#### 7.2 Draft Audit Committee Annual Report

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

The Committee approved the report which would now be presented to the Trust Board.

PD

### **8. Any Other Business**

#### 8.1 Cyber Attack – ASPH Impact and Lessons

The Director of Finance and Information gave a verbal update on the cyber attack on the NHS on Friday 12<sup>th</sup> May 2017. Whilst the Trust was not affected, some urgent precautionary measures were taken to reduce risk of the virus and keep systems safe. Business continuity procedures were initiated and all of our external IT systems were shut down. Work has been continuing this week to ensure the Trust’s systems are secure.

The response from both IT and Operational staff was excellent, the national communications provided by NHS Digital less so.

A feedback meeting was scheduled for Monday 22<sup>nd</sup> May 2017 with both IT and Operational teams attending.

#### 8.2 Private discussions with auditors

There was no requirement for a private discussion with the auditors.

### **9. Date and Time of Next Meeting**

Thursday 19<sup>th</sup> October 2017, at 11.00am in Room 2 Chertsey House, St. Peter’s Hospital.