

TRUST BOARD
29th March 2018

AGENDA ITEM NUMBER	19.2	
TITLE OF PAPER	Audit 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 Committee at its meeting held on 22 nd March 2018.		
STRATEGIC OBJECTIVE(S):		
Best outcomes	√	
Excellent experience	√	
Skilled & motivated teams	√	
Top productivity	√	
EXECUTIVE SUMMARY	<p>The minutes of the Audit Committee meeting held on 18th January 2018 are attached. The key points to note are:-</p> <ul style="list-style-type: none"> • Internal audit – reviewed the progress report from BDO and in particular the results of their audit on Complaints Management; • Reviewed and approved the 2018/19 work plans for both the internal (BDO) and external (KPMG) audit services; • Reviewed and approved the updated Counter Fraud and Corruption Policy; and • Noted the timetable for the production of the 2017/18 Annual Report and Accounts. 	
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 Framework Principle Risk	Audit plans aligned to key organisational risks.
AUTHOR	Paul Doyle, Deputy Director of Finance Please approach for any further information required.
PRESENTED BY	Keith Malcouronne, Non-Executive Director and Committee Chair
DATE	22 nd March 2018
TRUST BOARD ACTION	Receive

TRUST BOARD
29th March 2018

AUDIT COMMITTEE MEETING
MINUTES
18TH JANUARY 2018

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

1. Introductions and Apologies for Absence

Keith Malcouronne welcomed everyone to the meeting and apologies for absence were noted.

2. Minutes of Previous Meeting

Minutes of the Meeting held on 19th October 2017

The minutes of the meeting held on 19th October 2017 were approved.

3. Matters Arising

3.1 Actions List

The Committee noted that both of the actions on the Actions List had been completed.

4. Internal Audit

4.1 Progress Report

Greg Rubins 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 and were commented upon within the report, with a further five audits underway or about to commence. Two of the audits, Key Financial Systems and Third Party Assurance Review – HRCHS Payroll, had received moderate assurance. The third audit, Complaints Management, had received limited assurance about the effectiveness of controls and was being presented as a separate agenda item

The Committee discussed the salary overpayments noted in the Key Financial Systems audit. The Deputy Director of Finance stated that the Workforce and Finance teams were holding regular meetings to review the status of invoiced overpayments.

The Committee noted the Internal Audit Progress report.

4.2 Internal Audit Report – Complaints Management

Mark Ferasol presented the internal audit report on Complaints Management which had been given a moderate assurance for design and a limited assurance for operational effectiveness.

Based on the review BDO raised two high and nine medium level recommendations. The Trust has an acceptable system of internal controls, derived primarily from the policies and procedures as well as clearly communicated paths for raising complaints. The complaints raised are addressed sufficiently by both the central and divisional complaints management teams with use of Datix to record and manage them. However, certain improvements could be made to the design of the complaints management process, notably within the control environment. Additionally, the effectiveness of the controls currently in place needed to be addressed as significant weaknesses have been identified in the operation of certain controls, specifically relating to the inconsistent application of the policies and procedures.

The Director of Finance and Information commented that the outcome of the report was not good for the effectiveness of the operations and the report should be referred to the Quality and Performance Committee. Mark Ferasol stated that he had discussed the report with the Interim Chief Nurse.

The Committee noted the report.

4.3 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, 2 are overdue and no response was received for the last one. The team are still chasing for updated responses.

Mark Ferasol reminded the Committee that BDO were attending a Board Masterclass the following week on Risk.

The Committee noted the Internal Audit Progress report.

4.4 Draft Strategic Internal Audit Plan 2018/19

Greg Rubins presented the paper stating that BDO had met with Executive Directors to go through the requirements. The output is in line with the Strategic Plan.

It was pointed out that there was a list of possible audits listed at the back of the report, the most prominent of which was GDPR which comes into force in May 2018. This might be able to be done if there is slippage on any other audits. The Director of Finance and Information responded that the Trust was trying to get into GDPR. Keith Malcouronne suggested that the audits carry on as per the draft plan for now and that the Committee review again at the May 2018 meeting.

The Committee agreed the internal audit plan for 2018/19.

5. Local Counter Fraud Specialist (LCFS)

5.1 Progress Report

James Shortall presented an update report on progress with counter fraud matters highlighting proactive work, ongoing investigation and additional investigation work. The report also included a briefing note on the NHS Counter Fraud Authority Operational Strategy 2017 – 2020 and an NHS Counter Fraud Authority circular on the revised legal test for dishonesty.

James Shortall reported that he had met with the NHS Counter Fraud Authority to discuss forthcoming assurance statements for finance, procurement and pre-employment checks. The Trust would need an accountable officer for each.

An investigations update was provided. Keith Malcouronne asked whether there was any proactive work that could be carried out to detect these as most seemed to come through whistleblowing. The Director of Finance and Information responded that this was very difficult to detect and sometimes culturally it went under the radar.

The Committee noted the report.

5.2 Counter Fraud and Corruption Policy Review

The Deputy Director of Finance presented the annual review of the Counter Fraud and Corruption Policy which had also been reviewed by the Local Counter Fraud Specialist (LCFS). Apart from minor amendments for consistency etc, the main changes were as follows:

- references throughout the document to NHS Protect have been replaced by the new body NHS Counter Fraud Authority;
- in three places a section has been added pointing those who might wish to report issues externally anonymously to the NHS Fraud and Corruption Reporting Line and website;
- section 9.4 – the role of the Area Anti-Fraud Specialist (AAFS) has been removed following the change from NHS Protect. As a result four

- paragraphs about this role have been removed; and
- section 9 – Roles and Responsibilities - following review of the template added in new sub-sections for Chief Executive, Internal & External Audit, Managers and Information Management & Technology.

The Committee approved the updated policy which would now be published on the Trust Intranet.

6. External Audit

6.1 KPMG - Progress Report

Neil Hewitson presented KPMG's External Audit Progress Report which updated the Committee on work performed since the October 2017 Audit Committee meeting. The 2016/17 charitable fund audit had been signed off and a planning meeting had been held with Trust officers regarding the 2017/18 Trust audit (see agenda item 6.2). The interim audit would be commencing in February.

Work had also taken place with Governors over the selection of the third indicator for the Quality Report. Keith Malcouronne asked whether this could have been carried out any earlier and Neil Hewitson stated that they could look at that for 2018/19.

The Committee noted the report.

6.2 Audit Plan 2018/19

Neil Hewitson presented the draft external audit plan for 2018/19 for approval.

This began with a summary of KPMG's audit approach to (i) an opinion on the financial statements, (ii) Use of Resources/Value for Money and (iii) the Quality Report and the work proposed for each of these three areas.

The long form audit report that is required will include details of materiality, risks and KPMG's response to those risks. Following a risk assessment and discussions with management the significant audit opinion risks which will be described and reported on in the long form report have been identified as:

- recognition of NHS and non-NHS income and associated fraud risk;
- management override of controls; and
- valuation of land and buildings.

Meyrick Vevers questioned the valuation methodology for land and buildings. The Director of Finance and Information stated that this was on a modern equivalent asset basis and would represent the cost to rebuild the hospitals. Neil Hewitson added that accounting policies drive this and are dictated to the Trust.

Keith Malcouronne asked whether the decision on the planning application would be a trigger for any accounting change. The Director of Finance and Information replied that that would not be a trigger for a change – that would come once the Trust Board made a decision on the proposed sale and that was unlikely to be before June or July. In addition the land and buildings

would continue in operational use for quite a while. It was agreed that the Trust and KPMG would hold discussions on the relevant accounting treatments associated with the planned disposals and report back to the Committee.

SM

Regarding the indicators for the Quality Report, Neil Hewitson stated that these were now likely to be A&E and 62 day Cancer for the national indicators although the final decision has yet to be announced.

The fee for 2017/18 will be the same as for 2016/17.
The Committee approved the plan.

7. Annual Report and Accounts and Quality Account 2017/18

7.1 Timetable and Process for Production

The Deputy Director of Finance presented the proposed timetable for the production of the Annual Report and Accounts for 2017/18. This covered the preparation and approval processes for the Annual Report, Annual Accounts and Quality Report.

The issue would be the timing of the Board meeting to approve the Annual Report and Accounts as this was prior to the normal May Board meeting. Keith Malcouronne asked that the Deputy Director of Finance work with the Board Secretary to find a suitable date for the Board approval, or an alternative forum for their approval.

PD

The Committee noted the timetable which would be presented to the January Trust Board meeting.

7.2 NHS FT Annual Report and Accounts Guidance

The Deputy Director of Finance presented the paper prepared to advise the Committee on changes to the Department of Health Group Accounting Manual (GAM) and NHS Foundation Trust Annual Report and Accounts guidance for 2017/18.

The Department of Health have published their consolidated financial manual for all NHS Trusts/FTs and CCG's – the 2017/18 GAM. NHSI have also issued their Annual Reporting Manual for FT's - this is aimed at the Annual Report and does not cover the detailed accounting guidance (which is in the GAM).

The changes between years for both documents were set out in the paper along with the expected impact on the Trust. It should be noted that at this stage there is nothing that is considered to have a significant impact on the Annual Report and Accounts preparation.

The Committee noted the update.

8. Review of Scheme of Delegation and Standing Financial Instructions

This item was deferred to the March 2018 meeting.

9. Integrated Governance

9.1 Q&PC Feedback

There was no feedback for the Audit Committee from Q&PC. The prior Committee Chair was also a member of Q&PC so this would need to be looked at once Non-executives Committee roles are finalised.

9.2 Items for Information/Recommendation to Q&PC and/or Trust Board

There were no items for referral to either Q&PC or the Trust Board.

10. Items for Information / Noting

10.1 Schedule of Business 2017/18

The Committee noted the Schedule of Business 2017/18.

10.2 Chairman and Chief Executive Expenses

The Committee noted the report.

10.3 External Audit Contract

It was agreed that the process needed to be started to tender the external audit contract as KPMG's tenure expired at the end of the 2017/18 audit. This would need to be discussed with the Council of Governors as they were responsible for the appointment. The Deputy Director of Finance agreed to lead on this.

PD

11. Any Other Business

There were no items of any other business.

12. Date and Time of Next Meeting

Thursday 22nd March 2018, at 11.00am in Room 1 Chertsey House, St. Peter's Hospital.