

TRUST BOARD
30th March 2017

AGENDA ITEM NUMBER	7.3	
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 and approved at the Audit Committee meeting held on 23 rd March 2017.		
STRATEGIC OBJECTIVE(S):		
Best outcomes	√	
Excellent experience	√	
Skilled & motivated teams	√	
Top productivity	√	
EXECUTIVE SUMMARY	<p>The minutes of the Audit Committee meeting held on 19th January 2017 are attached for noting. The key points are: -</p> <ul style="list-style-type: none"> • Internal Audit – received the update paper, noting the outcomes of completed audits during the period It was agreed that two reports, covering VTE Quality Indicators and Learning Disability, would be referred to the Quality and Performance Committee; • An updated Counter Fraud and Corruption Policy was approved; • External Audit plan for 2016/17 was discussed and approved; • The timetable for the production of the Annual Report and Accounts, including Quality Report was reviewed; and • Recommended that the external audit contract be rolled over for another year (paper to the March Council of Governors meeting) and to put out a tender for internal audit and LCFS services. In the interim an internal audit plan for 2017/18 was approved. 	
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 NAME/ROLE	Paul Doyle, Deputy Director of Finance Please approach for any further information required.
PRESENTED BY DIRECTOR	Terry Price, Non-Executive Director and Committee Chair
DATE	23 rd March 2017
TRUST BOARD ACTION	Receive

TRUST BOARD
30th March 2017

AUDIT COMMITTEE MEETING
MINUTES
19TH JANUARY 2017

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

1. Introductions and Apologies for Absence

Apologies are as listed above.

2. Minutes of Previous Meeting

Minutes of the Meeting held on 20th October 2016

The minutes of the meeting held on 20th October 2016 were approved.

3. Matters Arising

3.1 Actions List

The Committee reviewed the Actions List which contained ten items, six of which were now complete. The following action points were discussed:

- Item 1, Surrey Pathology Services internal audit – this was in progress with a report expected to the March pathology board. It is hoped to update the Committee at its March meeting;
- Items 2, Overpayments and P45's – the update regarding this matter was discussed. Meetings with HR and payroll have been set up to discuss overpayments and the procedures around this area;
- Item 5, Security of Trust property – the Director of Finance and Information stated that there was a limit of what could be locked away and tagging equipment appropriately could prove expensive. It was agreed that the action point could be dropped but would form part of general fraud awareness; and
- Item 9, Risk Areas for cyclical deep dives – this was considered as part of the discussion on the draft internal audit plan, agenda item 4.2.

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 five audits detailed in (ii) below.
- (ii) Summaries of final reports issued for the following completed audits:

- a) VTE Quality Indicators

This report concluded that there was limited assurance in this area. In total seven recommendations had been made of which two were urgent, four were classed as important and one as routine. The three VTE indicators looked at were: VTE risk assessments, Root Cause Analyses for Hospital Associated Thrombosis (HTA's) and VTE Audit Effectiveness.

Terry Price expressed concern that a number of recommendations still had TBC next to them for implementation dates and responsible officer and was also not convinced by some of the responses. It was agreed that TIAA would pick this up with the Chef Nurse.

DT

It was also agreed that the report would be sent to the Quality and Performance Committee for them to own.

PD

Meyrick Vevers asked whether this was a documentation or screening (patient) issue. The Director of Finance and Information stated that this was common problem of staff say that an assessment had been carried out but that it wasn't evidenced in the paperwork. Neil Hewitson commented that generally indicators were more exposed where there were many stages of manual input.

Paul Grady stated that the Trust might want to look at other Trusts Board reports, such as Nottingham Hospitals, for good examples. It was agreed that the Director of Finance and Information would look at the quality indicators arising from this.

SM

- b) Budgetary Control and Financial Reporting

This report concluded that there was substantial assurance in this area. No recommendations had been made and Terry Price noted the Committee's appreciation to the finance team on this.

- c) Learning Disability

This report concluded that there was reasonable assurance in this area. In total eleven recommendations had been made of which four were classed as important, six as routine and one as operational.

Terry Price asked that this report be shared with the Quality and Performance Committee.

PD

- d) Electronic Medical Records

This report concluded that there was substantial assurance that the project continued to be well controlled and was progressing according

to plan. In total five recommendations had been made of which three were classed as routine and two as operational.

e) IG Toolkit Part 1

This report was an operational rather than the assurance review and gave the Trust some action points to address before 31st March 2017 to achieve the minimum level 2 attainment. The part 2 audit would take place later.

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

- of the six recommendations outstanding from 2014/15 audits, two have now been completed and evidenced, one was not yet due and three were outstanding.

- of the thirty nine recommendations in relation to 2015/16 audits twenty seven have now been evidenced and the latest position of the remaining twelve was:

- six implemented, but not yet verified;
- three were work in progress;
- two were not yet due; and
- one was outstanding.

Terry Price stated that he would like to see the Income Review recommendations cleared by the end of the financial year; it was agreed that a short report would be brought to the May meeting on this.

PD/DT

Dakshita Takodra highlighted that good progress had been made on the recommendations for the Medical Devices audit but TIAA wanted to see more traction before closing this down. It was agreed that a short report would be brought to the May meeting on this.

PD/DT

(iv) Progress against the 2016/17 Annual Plan:

Dakshita Takodra informed the Committee that there had been some changes. The Waiting List Management and Data Quality Access Targets audits had been moved back pending the roll out of the new waiting list reporting system.

Terry Price asked about the Divisional Governance & Performance Management draft audit report that had been issued on 12th October 2016 but not yet finalised. The Director of Finance and Information stated that this had been impacted by the split of the Chief Operating Officer role into two new roles. It also needed to be tied into the Well Led Governance review. This would be closed down by the next meeting.

The Committee noted the Internal Audit Progress report.

4.2 Draft Internal Audit Plan 2017/18

Terry Price introduced this by saying that the current internal audit contract expired at the end of March 2017. As it is unlikely that a new tender would have been awarded by that date, TIAA had been asked to prepare and present an indicative internal audit plan for 2017/18.

Paul Grady introduced the draft internal audit plan for 2017/18 which had

been largely derived from the previous strategic plan. Dakshita Takodra stated that this was year three of that plan with not many changes.

The Committee discussed the issue of cyber security and Paul Grady commented that this could be a deep dive topic. Keith Malcouronne asked how TIAA resource this type of audit/review and Paul Grady responded that they have a specialist in this area. It was agreed that Paul Grady would forward the CV of the specialist to Keith Malcouronne for information.

PG

Keith Malcouronne asked what the audit on payroll would be on and whether, given it is the largest expense area, he could be involved in signing off the audit scope. It was agreed that Terry Price and Keith Malcouronne would sit in on the sign off of the scope of the payroll internal audit.

DT

Subject to the internal audit tender decision the Committee agreed the plan.

5. Local Counter Fraud Specialist (LCFS)

5.1 LCFS Progress Report

Grant Bezuidenhout presented an update report on progress with counter fraud matters highlighting the following points:

- a) The submission deadline for the Self Review Tool (SRT) had been brought forward to 1st April 2017 by NHS Protect. This will be discussed with the Director of Finance and Information prior to submission;
- b) there was one open investigation relating to a Trust consultant for which a report to the GMC had been submitted;
- c) Three policies had been reviewed; and
- d) Two proactive exercises were underway.

Terry Price asked whether there was a timescale yet for the open investigation and Keith Malcouronne questioned whether the Trust was still able to make its own decision. The Director of Finance and Information reported that the Trust had completed its own investigation and made its decision.

Terry Price asked for an update on the National Fraud Initiative (NFI) 2016/17 exercise. Grant Bezuidenhout reported that the exercise was underway but that no results had been released yet.

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:

- Section 2.2 – making it clear that the policy applies to all Board members; and
- Section 8.6 – new section setting out the LCFS responsibilities regarding the four objectives of the NHS Standards for Providers.

Terry Price questioned why an annual review was required to which Grant Bezuidenhout replied that it formed part of the annual Self Review Tool so was needed.

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

PD

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 2016 Audit Committee meeting. The 2015/16 charitable fund audit had been signed off and a planning meeting had been held with Trust officers regarding the 2016/17 Trust audit (see agenda item 6.2).

The interim audit would be commencing in February.

The Committee noted the report.

6.2 Audit Plan 2016/17

Neil Hewitson presented the draft external audit plan for 2016/17 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 why the valuation of land and buildings was a risk. Neil Hewitson responded that it had an element of judgement involved and impacted on the Trust's revenue costs for depreciation and PDC dividend. Keith Malcouronne asked about the fact that cost or replacement cost can be used. Neil Hewitson stated that there were various policies within the Financial Reporting Manual (FREM), DH Group Accounting Manual (GAM) and Trust accounting policies on this.

Terry Price asked about the local indicator for the Quality Report audit. Charlotte Goodrich reported that she had met with the Chief Nurse and Assistant Director - Regulation and Improvement, and are taking a paper to the next Patient Panel meeting.

The fee for 2016/17 will be the same as for 2015/16.

The Committee approved the plan.

7. Annual Report and Accounts and Quality Account 2016/17

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 2016/17. This covered the preparation and approval processes for the Annual Report, Annual Accounts and Quality Report.

Terry Price commented that there was not a lot contained in the paper on the Annual Report side and asked for some further reassurance on this at the next meeting.

Giselle
Rothwell

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 NHS Foundation Trust Annual Report and Accounts guidance for 2016/17.

The main change is that the Department of Health have published a consolidated financial manual for all NHS Trusts/FTs and CCG's - the 2016/17 Group Accounting Manual (GAM). The GAM replaces most elements of the FT Annual Reporting Manual (ARM) previously used for preparing the Annual Report and financial statements. NHSI will still be issuing a Financial Reporting Manual for FT's which is currently in draft form, pending finalisation of a consultation. This will be aimed at the Annual Report and will no longer cover the detailed accounting guidance.

The Committee noted the update.

8. Integrated Governance

8.1 QAPC Feedback

There was no feedback for the Audit Committee from QAPC.

8.2 Items for Information/Recommendations to QAPC and/or Trust Board

Trust Board

Timetable for the production of the Annual Report and Accounts for 2016/17.

QAPC

- The outcome of internal audit's (i) Review of VTE Quality Indicators and (ii) Learning Disability; and
- Timetable for the production of the Quality Report for the Annual Report and Accounts for 2016/17.

9. Items for Information/Noting

9.1 Schedule of Business 2016/17

It was agreed that the follow-ups to the internal audit recommendations on Income Review and Medical Devices be added to the schedule for the May meeting.

PD

In addition the Quality Indicator piece of work regarding the VTE internal audit report discussion that would be carried out by the Director of Finance and Information would also be brought to the May meeting.

It was also agreed to cancel the July meeting due to there being minimal items scheduled.

9.2 Chairman and Chief Executive Expenses

The Committee noted the report covering quarters 3 of 2016/17 which now included details of any relevant expenditure made using either of the Trust's two corporate credit cards.

The Committee noted the report.

9.3 Contracts and Tenders

Attendees from KPMG and TIAA left the meeting to enable the Committee to discuss the external and internal (including LCFS) audit contract renewals process.

It was agreed that the internal audit and LCFS contracts currently with TIAA should go out to tender with effect from the 2017/18 financial year. In addition it was proposed that the external audit contract with KPMG should be rolled over for a further year. In respect of the latter a paper would need to be taken to the Council of Governors meeting in March to get this approved.

PD

10. Any Other Business

There were no items of any other business.

11. Date and Time of Next Meeting

Thursday 23rd March 2017, at 11.00am in Room 2 Chertsey House, St. Peter's Hospital.