

**TRUST BOARD**  
**30<sup>th</sup> June 2016**

<b>AGENDA ITEM NUMBER</b>	7.2	
<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 draft minutes have been approved by the Committee Chair and will be reviewed at the next Committee meeting to be held on 21 <sup>st</sup> July 2016.		
<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 19<sup>th</sup> May 2016 are attached for noting. The key points are: -</p> <ul style="list-style-type: none"> <li>• Losses &amp; Special Payments – approved the losses for the second half of 2015/16;</li> <li>• Internal audit – reviewed the Head of Internal Audit Opinion which gave reasonable assurance for 2015/16 and asked TIAA to review and benchmark due to the change from the previous years' opinion (post meeting amended back to significant assurance);</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 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>	23 <sup>rd</sup> June 2016
<b>TRUST BOARD ACTION</b>	Receive

**TRUST BOARD**  
**30<sup>th</sup> June 2016**

**AUDIT COMMITTEE MEETING**  
**MINUTES**  
**19<sup>th</sup> MAY 2016**

<b>PRESENT:</b>	Mr. Terry Price Mr. Nadeem Aziz	Non-Executive Director and Committee Chair Non-Executive Director
<b>IN ATTENDANCE:</b>	Mr. Simon Marshall Mr. Paul Doyle Mr. Paul Grady Mr. Grant Bezuidenhout Mr. Neil Hewitson Ms. Charlotte Goodrich	Director of Finance and Information Deputy Director of Finance TIAA (Internal Audit) TIAA (LCFS) KPMG (External Audit) KPMG (External Audit)
<b>SECRETARY:</b>	Mr. Paul Doyle	Deputy Director of Finance
<b>APOLOGIES:</b>	Mr. Clive Goodwin Ms. Dakshita Takodra	Non-Executive Director 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 24<sup>th</sup> March 2016

The minutes of the meeting held on 24<sup>th</sup> March 2016 were approved.

**3. Matters Arising**

3.1 Actions List

The Committee reviewed the Actions List and noted that two items were now complete, three were in the course of being actioned and one which was not yet due.

**4. Internal Audit**

4.1 Internal Audit Report - Progress Report

Paul Grady 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) Information Governance Toolkit Part II

This report concluded that there was reasonable assurance in this area. In total one recommendation had been made which one was ranked as important.

b) Rostering and Safe Staffing

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

Nadeem Aziz mentioned that the Financial Management Committee had been discussing the importance of rostering.

c) Sepsis Review

This report concluded that there was reasonable assurance in this area. In total three recommendations had been made all of which were ranked as important. It was agreed that the report should be made available to the Quality and Performance Committee.

PD

d) Medicines Management

This report concluded that there was reasonable assurance in this area. In total seven recommendations had been made of which five were ranked as important and two as routine. It was agreed that the report should be made available to the Quality and Performance Committee.

PD

e) Business Planning

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 six recommendations outstanding from 2014/15 audits, one has now been completed but not yet evidenced and the remaining five are not yet due.

- of the twenty four recommendations in relation to 2015/16 audits, six have now been evidenced and the latest position of the remaining eighteen was:

- five implemented;
- two not yet due;
- nine work in progress; and
- two outstanding

It was agreed that the Safeguarding audit (DOL's and MHA) recommendations would be chased up prior to the next meeting.

PG

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

Work has commenced on two audits (medical devices and complaints), and planning is in progress for the other quarter 1 audits.

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 reasonable assurance.

The Committee discussed the overall opinion as this was a change from last years' opinion of substantial and it was felt that the overall control environment had not changed. Simon Marshall pointed out that the core financial system audits had received substantial opinions.

Paul Grady replied that overall, on the individual audit reports, there had been nine substantial, nine reasonable and two limited opinions (safeguarding DOL's and MHA). The mix of financial to non-financial audits was pretty standard and the TIAA process is based on the individual opinions with an overarching override.

Terry Price requested that TIAA take this back to review and benchmark against other clients to ensure that the basis of the opinion was robust, including the weighting given to audits and the history over the last couple of years. Paul Grady agree to do this and get back to Simon Marshall over the next couple of days.

PG

The Committee noted the Internal Audit Annual Report subject to the agreed review of the overall opinion.

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

Grant Bezuidenhout presented the LCFS Annual Report which provided an overview of the LCFS activities during 2015/16.. The Trust's annual self-review toolkit (SRT) was assessed as green and the Trust was not subject to an inspection by NHS Protect at any point during the year. The next SRT is due for submission in June.

There had been four investigations during the year of which two were now closed. A total of four recommendations had been made.

The Committee noted the report.

### **6. Annual Report, Accounts and Quality Report 2015/16**

#### 6.1 Losses & Special Payments six months to 31<sup>st</sup> March 2016

The Deputy Director of Finance presented a summary of Losses and Special Payments made during the six months to 31<sup>st</sup> March 2016. This totalled £252,894 for the period of which £141,030 had previously been reported to the Committee.

The Committee approved the payments.

#### 6.2 KPMG - Progress Report

Neil Hewitson presented KPMG's External Audit Progress Report which updated the Committee with work performed since the March 2016 Audit Committee meeting. This work was mainly covered in detail in two following agenda items, 6.3 (Audit Report ISA260 – Financial Statements and Quality Report) and 6.8 (Management Representations letter).

In addition KPMG had undertaken detailed analysis, using data analytics software, of the payroll ESR system. This included reviews of specific pay and staff sickness routines to give the Trust greater insight into its staff costs. Nadeem Aziz asked who the outputs had been shared with. Neil Hewitson stated that it had been shared with payroll and will be with Workforce/HR, after which KPMG will come back with feedback.

The progress report also detailed the work planned for the following period which included preparing for the 2015/16 charitable funds audit and preparing the annual audit letter to the Governors.

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 2015/16.

#### *Financial Statements*

Charlotte Goodrich reported that 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 recording and classification of NHS and non-NHS income.

Terry Price asked whether KPMG were content with the level of prudence in the financial statements. Neil Hewitson stated that they were and that this was covered in pages 11 and 12 of their report.

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 on the financial statements.

Charlotte Goodrich highlighted that no audit recommendations had been made in respect of the financial statements. Terry Price asked that the Committee's thanks be passed onto the finance team.

#### *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 Monitor mandated indicators due to a combination of system and process weaknesses and data exceptions. Detailed testing on the indicators, combined with KPMG's assessment of the control environment, has concluded that KPMG's opinion is modified for 18 week RTT and 4-hour A&E for 2015/16.

Work on the local indicator, 28-day emergency readmissions, as selected by Governors, has indicated that if KPMG were required to issue a clean limited assurance opinion on this indicator, then they would be able to.

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 that was being held at the same time as this meeting.

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

The Committee approved the report.

#### 6.4 Annual Report

The report included the Trust's 2015/16 Annual Governance Statement which reported one significant internal control issues in relation to the failure of the Trust to meet the four hour waiting time target in 2015/16. Terry Price asked that the 'external agencies' section of the Annual Governance Statement be reviewed and made clearer.

SM

Terry Price also requested that the outstanding parts of the Remuneration Report, relating to off-payroll engagements, be circulated to Committee members once complete.

PD

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

#### 6.5 Quality Account

The Committee noted that the Quality Account was being considered at the Quality and Performance Committee being held at the same time. It approved the report and recommended it to the Trust Board.

#### 6.6 Annual Accounts

The Deputy Director of Finance reported that there had been no changes to the primary statements following the draft submission to Monitor in April. Changes had been made to some disclosures as reported under agenda item 6.7.

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

#### 6.7 Schedule of Adjusted and Non Adjusted Items

The Deputy Director of Finance presented the Schedule of Adjusted and Non-Adjusted Items. Neil Hewitson commented that this was a short list compared to other clients.

The Committee noted the report.

#### 6.8 Management Representations Letters

The Management Representations Letter for the financial statements was in standard format apart from paragraph 15. This was in respect of one of the two audit risk areas regarding the recording and classification of NHS and non-NHS income.

The Deputy Director of Finance advised the Committee that the wording of the Management Representations Letter for the 2015/16 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 Monitor Code of Governance

The Deputy Director of Finance presented a report on the Trust's compliance with Monitor's Code of Governance 2014 and confirmed that the Trust is compliant with all provisions.

The Committee noted the 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.

A few changes were discussed and agreed, in particular around the Head of Internal Audit Opinion which the Committee has asked TIAA to review. Subject to these 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 regarding their interim and final audit findings respectively. KPMG confirmed that, other than those set out in their formal reports considered elsewhere on the agenda, there were no further matters they wished to bring to the attention of the Audit Committee.

Similarly Terry Price reported that he had pre-meets with internal audit prior to all Audit Committee meetings. TIAA confirmed that, other than those set out in their formal reports considered elsewhere on the agenda, there were no further matters they wished to bring to the attention of the Audit Committee.

### 8.2 Surrey Pathology Services Internal Audit

Paul Grady asked whether the Trust/Committee would consider a joint audit across all three member Trusts. It was agreed that Paul Grady and Simon Marshall would discuss this outside of the meeting.

SM

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

Thursday 21<sup>st</sup> July 2016, at 11.00am in Room 2 Chertsey House, St. Peter's Hospital.