

TRUST BOARD
24th February 2011

TITLE	Draft minutes of the Audit Committee meeting held on 19th January 2011.
EXECUTIVE SUMMARY	<p>The Audit Committee considered the following key points: -</p> <ul style="list-style-type: none"> ▪ Audit Recommendations – reviewed updates on the implementation of medium and high level recommendations arising from internal and external audit reports; ▪ Draft KPMG Audit Plans - reviewed and noted the plans for the audits of the two sets of accounts required for 2010/11 (pre and post FT status); and ▪ Timelines for Annual Accounts, Annual Report and Quality Accounts – reviewed the initial draft timelines for the production of these documents. Further work is required to expand the document and this will be reviewed again in March.
BOARD ASSURANCE (Risk) / IMPLICATIONS	The Board is assured by the scrutiny provided by the Audit Committee on matters of risk.
STAKEHOLDER / PATIENT IMPACT AND VIEWS	None obtained.
EQUALITY AND DIVERSITY ISSUES	None that I am aware of.
LEGAL ISSUES	None that I am aware of.
The Trust Board is asked to:	Note the draft minutes of the Audit Committee meeting held on 19 th January 2011.
Submitted by:	Terry Price, Non-Executive Director/Audit Committee Chair Paul Doyle, Deputy Director of Finance
Date:	16 th February 2011
Decision:	For Noting

TRUST BOARD
24th February 2011

Draft Minutes of the Audit Committee Meeting held on 19th January 2011

Note that these draft minutes will be reviewed and approved at the next Audit Committee meeting to be held on 23rd March 2011.

PRESENT:	Mr. Terry Price Mr. Peter Taylor	Non-Executive Director and Committee Chair Non-Executive Director
IN ATTENDANCE:	Mr. John Headley Ms. Jane Gear Mr. Ben Endersby Mr. Ross Tudor Mr. Paul Doyle Mr. Carl Watson	Director of Finance and Information Head of Corporate Affairs Chantrey Vellacott DFK (Internal Audit) KPMG (External Audit) Deputy Director of Finance Chantrey Vellacott DFK (Internal Audit)
	Ms. Sarah Johnston Ms. Giselle Rothwell	Head of Quality & Integrated Governance (items 5iv, 8 and 11ii) Head of Communications (item 8)
SECRETARY:	Mr. Pravin Somasundram	Management Accountant
APOLOGIES:	Mr. Andrew Liles Ms. Eleanor Richards Mr. Mark Kinsella	Chief Executive KPMG (External Audit) Chantrey Vellacott DFK (Internal Audit)

1. Introductions and Apologies for Absence

Terry Price welcomed Ross Tudor from KPMG to his first meeting; Ross having taken over from Greg McIntosh.

2. Minutes of the Meeting held on 20th October 2010 and 16th December 2010

The minutes of the meetings held on 20th October 2010 and 16th December 2010 were agreed.

3. Matters Arising

The Committee reviewed the Actions List.

Carl Watson reported that he would be participating in a future Team Briefing. All items were either on the agenda or had been completed

4. Internal Auditors Report

(i) Internal Audit Progress Report

Ben Endersby presented the Summary Progress Report on the internal audit programme for 2010/11. He stated that four reports had been finalised with one further one at draft stage.

He added that despite there being delays in the operational Carbon Reduction and Business Continuity Plan audits, good progress had been made with an early start on the ESR implementation Audit. Ben Endersby advised the following top four operational audits should be completed by the next Committee meeting: Carbon Reduction Management; Quality Accounts; Trust Wide Review of Business Continuity Plans and Self Service ESR Implementation Project.

The report now included a section on KPI's. It was also mentioned that the reporting is being reviewed in order to make it more exception based.

The Director of Finance and Information expressed concerned with the number of completed audit days. Ben Endersby responded by saying that the plan for 2011/12 had been agreed late. Terry Price commented that the next financial years internal audit plan must be agreed earlier and it was agreed that a draft would be brought to the March 2011 meeting.

BE

(ii) Internal Audit Report – Payroll

Ben Endersby presented the internal audit report on Payroll which concluded that there was significant assurance in this area. In total sixteen recommendations had been made of which two were high level and six were medium level.

One of the recommendations related to overpayments, where the management response stated that the spreadsheet was being updated regularly. Terry Price questioned the definition of 'regularly' and requested further reassurance via a documented frequency of time scale.

PD

The Committee noted the report.

(iii) Internal Audit Report – General Ledger

Ben Endersby presented the internal audit report on the General Ledger system which gave Full assurance and made no recommendations. The finance department was commended for this outcome.

The Committee noted the report.

(iv) Internal Audit Report – Accounts Receivable

Ben Endersby presented the internal audit report on Accounts Receivable which concluded that there was significant assurance in this area. In total three recommendations had been made all of which were medium level.

Terry Price expressed concern about the Ongoing timescale reported in respect of dealing with invoices over one year old. The Deputy Director of Finance assured the Committee that the aged debt issue remained at the top of the agenda given its impact on cash and its reporting in the Monitor financial risk indicators.

The Committee noted the report.

(v) Internal Audit Report – Private Patients Income

Ben Endersby presented the internal audit report on Private Patients Income which concluded that there was significant assurance in this area. In total

seven recommendations had been made, one of which was high level and six medium level.

Terry Price commented that whilst the report indicated in a number of the responses that a Working Group would be set up by 31st March 2011, the work would go on past this date to implement recommendations. Progress on this report needed to be fed back at the March 2011 review meeting.

MM

The Committee noted the report.

(vi) LCFS Update Report

Carl Watson presented the LCFS update report which highlighted a disappointing rating of 2 for the second year running in the Qualitative Assessment (formerly Compound Indicator). Carl Watson stated that it was hoped to get to a score of 3 for 2010/11 – submission was due by 30th April 2011. It was agreed to feedback at the next Committee meeting on progress.

CW

Carl Watson added that “Counter Fraud” was to be rolled out next week, which in turn will provide staff with general counter fraud awareness. This includes whistle blowing details, induction pack information and interactive packages for new starters. The Director of Finance and Information asked Carl Watson about his overall impression of the Trust’s acceptance to counter fraud. Carl Watson answered that the Trust was very positive in welcoming all ideas and strategies.

(vii) LCFS – Report on Risk Management Exercise (Transport)

Carl Watson presented the assessment report which highlighted unfavourable mileage usage. The Director of Finance and Information agreed to ensure that Chris Bell (Associate Director of Facilities) was briefed on the issue.

JH

Terry Price suggested that similar to Internal Audit, the LCFS should produce a recommendations schedule with agreed management actions that could be tracked. It was agreed that Carl Watson would prepare such a schedule for this report and send it through to the Trust.

CW

(viii) LCFS – Briefing on Bribery Act 2010

Carl Watson presented the paper on the new Bribery Act 2010 for which the Trust needed something in place by April 2011. It was agreed that Carl Watson would work with the Head of Corporate Affairs on this matter. The Committee noted the report and awaited further guidance.

CW/JG

(ix) Follow up of Internal Audit Recommendations

The Deputy Director of Finance took the Committee through the paper on the follow-up of internal audit recommendations. In summary nineteen recommendations had been added and twelve removed; a total of twenty five remained outstanding.

It was noted that the Patient Property form re-design had moved again to the end of February. Terry Price questioned why this had taken so long to resolve recommending clarification with Sue Brown on the exact issue and to obtain a time plan of completion.

MM

Terry Price was also concerned that no update had been received in respect of the Review of Outpatient Data Quality audit report. It was agreed that a

meeting would be held on early March 2011 to review outstanding recommendations with managers. PD

5. External Auditors Report

(i) Progress Report

Ross Tudor presented the progress report covering planned work and technical updates. One of the areas covered was in relation to Carbon Reduction and it was agreed that Ben Endersby would share the Carbon Reduction audit planning memorandum with Ross Tudor so as to avoid any duplication. BE

The Committee noted the report.

(ii) 2010/11 Plan – Trust

The Committee noted the audit team and audit plans for the period covering the eight months pre Foundation Trust status. The interim audit would be held in March and would look closely at the cut-off period at the eight month stage.

(iii) 2010/11 Plan Foundation Trust

Ross Tudor stated that the work would be on the four months as a Foundation Trust. He pointed out the risks as noted by KPMG in the report.

KPMG would be required to sign three opinions covering the financial statements, quality accounts and use of resources. In respect of the latter some work would need to be carried out now that ALE was no longer in place, however it would be less onerous than under ALE.

The Committee discussed the audit that was required on the Quality Accounts and Ross Tudor agreed to provide a quotation and timeline for the work. RT

(iv) Follow up of External Audit Recommendations

The Deputy Director of Finance presented a report of progress against External Audit recommendations which as presented showed two recommendations still to be implemented. However on discussion with Sarah Johnston it was agreed that the outstanding recommendation in relation to Risk was in fact cleared.

Terry Price asked that the one outstanding recommendation relating to performance meeting feedback to the Trust Executive Committee be implemented before the end of March. JH

6. Audit Commission Payment by Results Data Assurance Audits

The Deputy Director of Finance presented a report on two planned Audit Commission audits, one to be carried out by KPMG, for 2011.

The Committee noted the report.

7. 2010/11 Statement of Internal Control

Paul Doyle reported to the Committee the expected requirements in respect of the Statement of Internal Control (SIC). In essence it would be one SIC covering the twelve month period as the SIC effectively covered the period up

to the signing of the accounts.

Ross Tudor commented that it was expected that the guidance from the DH and Monitor would be similar.

8. Draft Timeline for Annual Report and Quality Accounts

Giselle Rothwell briefed the Committee about the presentation of the Annual Report, Quality Accounts and Annual Accounts, suggesting that the Trust will be doing something similar to other Trusts. She added that stakeholder engagement, in particularly Governors, is crucial. And that the process should be started a lot sooner, therefore planning the documentation now.

The Trust will be required to prepare two annual reports (one for eight months and the other for four months). It will probably also prepare an Annual Review covering the full twelve months.

Peter Taylor said that the Governors and Board must firstly understand what "Quality Account" stands for and there must also be a clear hierarchy what these documents are set to achieve. Sarah Johnston reported that a paper was being prepared for the January Trust Board meeting on this. Ross Tudor stressed the importance of adherence to the Monitor guidance process.

Terry Price asked that the current timetable be fleshed out with more of the content needed and responsible owners and timelines added. This should be presented to the March Meeting.

GR

9. Lessons from ALE - Action Plan Follow-Up

The Director of Finance and Information presented an outline of essentials that the Trust should take out of the ALE process. He added that although ALE is no longer in place there are still core areas we can carry forward.

It was agreed that these areas were covered off or subsumed within other action plans and that ALE would be dropped from the Committee's agenda.

10. Foundation Trust

(i) Compliance Framework Procedure

The Head of Corporate Affairs confirmed that the Framework would be issued shortly for 2011/12 and would be a more onerous process.

The Committee noted the report.

(ii) Monitor Consultation on Annual Non-Financial Reporting Requirements

The Head of Corporate Affairs presented the paper on the consultation to the Committee and asked for any comments to be sent to her. In respect of Local Indicator questions about assurance on the performance indicators the Committee decided on option B which would allow the Trust Board to determine the most appropriate form of assurance.

11. Integrated Governance

(i) Corporate Risk Register

The Corporate Risk Register was noted.

(ii) Integrated Governance and Risk Management Strategy

The Committee noted that the revised strategy had been approved by the Trust Board in December 2010. As the next review was due in November 2011 Sarah Johnston emphasised the need to start thinking and viewing the documentation early so that it could go through the relevant Committee's for comment/review. A paper is going to the next IGAC meeting on this.

(iii) Clinical Governance Committee – Revised Terms of Reference

These were noted.

(iv) Minutes of IGAC meeting held on 6th October 2010

These were noted.

(v) Items for Information/Recommendations to IGAC and/or Trust Board

The following items were noted for Trust Board/IGAC:

- ensure early review of Integrated Governance and Risk Management Strategy in 2011; and
- that the timelines for the production of the Annual Report, Quality Account and Annual Accounts had been reviewed and would be presented again to the March meeting.

12. Item for Information

(i) Schedule for Business 2011/12

The Committee discussed the issue of annual plans and accounts approval and it was agreed that a date in early June be sought as happened in 2010, aligned to a special Board meeting. In addition the July meeting would then be cancelled and items currently schedules would be moved into either the June or October meetings.

PD

(ii) Chairman and Chief Executive Expenses

The schedule was noted.

13. Any Other Business

There were no items of Any Other Business.

14. Date and Time of Next Meeting

Wednesday 23rd March 2011 at 11.00am in the Level 2 Seminar Room.