Ashford and St. Peter's Hospitals NHS
NHS Trust

TRUST BOARD
24th June 2010

TITLE	Draft minutes of the Audit Committee meeting held on 9th June 2010.
EXECUTIVE SUMMARY	The Audit Committee considered the following key points: - ▪ **Head of Internal Audit opinion** – reviewed the final opinion which gave a very strong significant control opinion; ▪ **Statement of Internal Control** – reviewed the final Statement of Internal Control for 2009/10; ▪ **Annual Accounts** – reviewed the final annual accounts for 2009/10 and recommended that the Trust Board approve them; ▪ **KPMG Report** – reviewed KPMG's report to those charged with governance for 2009/10 in which an unqualified audit opinion was proposed; ▪ **Management Representations Letter** – reviewed the letter for 2009/10 and recommended that the Trust Board approve it; and ▪ **Audit Committee Self Assessment Checklist** – completed the checklist reviewing areas where actions were necessary.
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 9th June 2010.
Submitted by:	Terry Price, Non-Executive Director/Audit Committee Chair Paul Doyle, Deputy Director of Finance
Date:	16th June 2010
Decision:	For Noting

Ashford and St. Peter's Hospitals NHS
NHS Trust

TRUST BOARD
Date: 24th June 2010

Draft Minutes of the Audit Committee Meeting held on 9th June 2010

PRESENT:	Mr. Terry Price	Non-Executive Director and Committee Chair
	Mr. Peter Taylor	Non-Executive Director
IN ATTENDANCE:	Mr. John Headley	Director of Finance and Information
	Mr. Ben Endersby	Chantrey Vellacott DFK (Internal Audit)
	Ms. June Awty	KPMG (External Audit)
	Mr. Daniel Codling	KPMG (External Audit)
	Mr. John Lester	KPMG (External Audit)
	Ms. Miriam Moore	Head of Financial Services
SECRETARY:	Mr. Paul Doyle	Deputy Director of Finance
APOLOGIES:	Mr. Norman Critchlow	Non-Executive Director
	Mr. Mark Kinsella	Chantrey Vellacott DFK (Internal Audit)
	Mr. Andrew Liles	Chief Executive

1. Apologies

Apologies are as listed above.

2. Minutes of the Meeting held on 21st April 2010

The minutes of the meeting held on 21st April 2010 were agreed.

3. Matters Arising

(i) Action Points not on Agenda

The schedule of Action Points was reviewed and an update was provided for the following:

Re 4(xii), the Deputy Director of Finance advised that a date for the meeting to review outstanding internal audit recommendations would shortly be organised. PD

(ii) Other

Terry Price advised that he had met with the Director of Finance and Information and the Deputy Chief Executive in relation to progress with the Vascular Imaging Service internal audit recommendations and that he would provide an update at the next Audit Committee meeting.

4. Internal Audit – Final Head of Internal Audit Opinion

Ben Endersby presented the Final Head of Internal Audit Opinion which

concluded by giving a very strong significant control opinion. The only amendment since the draft paper was presented to the Committee on 21st April 2010 was on page 3 at point 4, which now confirms receipt of Ernst and Young's assurance report in relation to the national SBS system.

The Committee noted the report.

5. Statement of Internal Control

The Director of Finance and Information presented the Statement of Internal Control (SIC) which now incorporated the feedback received at the last Audit Committee meeting as well as feedback received from the SHA.

The Director of Finance and Information asked Ben Endersby about whether or not Internal Audit had been present at the meeting during which the SHA had given their feedback. Ben Endersby agreed to check with Mark Kinsella and feedback to the Committee. BE

The Committee discussed the specific changes arising from the SHA's feedback namely:

(i) The inclusion of a second Significant Control Issue in section 6 in relation to the difficulties encountered in providing single sex facilities for patients.

The Committee discussed the reason for inclusion of this second issue which was due to the fact that it was non-compliant during 2009/10 despite being resolved by 31st March 2010. It was agreed that the SHA guidance should be followed and that the second Significant Control Issue should stand.

(ii) The inclusion of the sentence "The Trust was therefore not fully compliant with standards for better health" in section 4 immediately following the table.

The Committee discussed the wording of the sentence and agreed that the Director of Finance and Information would propose revised wording at the Trust Board meeting to approve the SIC in order to convey a more accurate message. JH

The Committee approved the report and agreed that, subject to the wording change in section 4, the Director of Finance and Information should recommend it to the Trust Board.

6. Annual Accounts 2009/10

The Deputy Director of Finance presented the Annual Accounts for 2009/10 at 6 (i) and suggested that the Committee first review the Schedule of Adjusted and Non-Adjusted Items at 6 (ii).

The Deputy Director of Finance went on to present the Schedule of Adjusted and Non-Adjusted Items and the Committee discussed the Schedule in detail. The following items were agreed as actions:

- In relation to Note 9.3 Staff Sickness Absence; that the average working days lost of 7.7 included in the Annual Accounts be reconciled to the data reported in the balance scorecard for the next PD

Finance Committee meeting; and

- In relation to Note 9.4 Management Costs; that a more detailed analysis of these costs be proactively discussed at future Finance Committee meetings. PD

The Committee noted the Schedule of Adjusted and Non-Adjusted Items.

The Deputy Director of Finance drew attention to note 32.1 (Breakeven Performance) on page 43 of the Annual Accounts which shows that the Trust's cumulative deficit became a surplus in 2009/10.

The Committee approved the Annual Accounts for 2009/10 and agreed that the Director of Finance and Information should recommend them to the Trust Board.

7. External Audit

(i) Report to those charged with Governance

June Awty presented the Report to those charged with Governance for 2009/10 highlighting the Executive Summary on pages 2 to 4. This acknowledges the good quality of the Trust's first financial statements under IFRS and confirms that an unqualified audit opinion has been issued along with an unqualified Value for Money conclusion. No audit recommendations have been made and all prior year recommendations have been dealt with.

June Awty confirmed that following the new Government's proposals to abolish Comprehensive Area Assessment, NHS auditors have been asked to continue with their 2009/10 Use of Resources (UoR) assessment work (i.e. ALE) as the majority of it has already been completed. The Audit Commission has however stated that it is in discussion with the Department of Health to consider the future of UoR assessments.

The Committee discussed the Trust's draft ALE scores for 2009/10 and Terry Price asked whether the process was now complete given that page 6 of the above report shows no change in scores from 2008/09. The Committee agreed that there was still some scope to potentially increase the score for Internal Control from a 3 to a 4 depending on the outcome of a discussion about the Audit Committee Self-Assessment Checklist at item 9 of the agenda.

Given the uncertainty over the future of ALE, it was agreed that the Head of Financial Services would review the 2009/10 ALE process and identify the 5 key potential areas of improvement for the Trust. These will be presented at the next Audit Committee meeting. MM

June Awty confirmed that a separate detailed report of recommendations arising from the ALE assessment would be presented at the next Audit Committee meeting and it was agreed that at this meeting KPMG would also report back on the 5 key potential areas of improvement for the Trust. JA

The Committee noted the report.

(ii) Request for Management Representations

June Awty presented KPMG's request for Management Representations in relation to 2009/10 and confirmed that it was of a standard format with no Trust-specific representations required.

The Committee noted the request.

8. Trust Management Representations Letter

The Director of Finance and Information presented the Trust Management Representations Letter which as noted in 7 (ii) above was of standard format with no Trust-specific representations added.

The Committee approved the letter and agreed that the Director of Finance and Information should recommend it to the Trust Board.

9. Audit Committee Self-Assessment Checklist

The Deputy Director of Finance circulated a report showing the outcome of Terry Price's review of The Audit Committee Self-Assessment Checklist. The Committee discussed the Checklist in general together with the seven specific areas highlighted in the report. The discussion and actions arising from the review of the specific issues highlighted in the report were as follows:

(i) Has the Committee formally assessed whether there is a need for the support of a "Company Secretary" role or its equivalent?
The Committee discussed whether the Head of Corporate Affairs should attend and minute the meetings of both the Audit and Finance Committees. It was agreed that the Director of Finance and Information would discuss this with the Head of Corporate Affairs and report back to the Committee. JH

(ii) Are audit plans derived from clear processes based on risk assessment with clear links to the Assurance Framework?
The Committee discussed this issue and agreed that the answer should be yes.

(iii) Has the Committee agreed a range of Internal Audit performance measures to be reported on a routine basis?
The Committee agreed with the comment that further performance indicators should be developed.

(iv) Does the Committee assess the performance of External Audit?
The Committee discussed this issue in view of the fact that the External Auditors are appointed by the Audit Commission and not the Trust Board. It was noted that as a Foundation Trust the Board of Governors would appoint the Trust's External Auditors.

(v) Does the Committee annually review the accounting policies of the organisation?
The Deputy Director of Finance confirmed that the 2009/10 accounting policies were reviewed by the Finance Committee but is was agreed that this should be carried out by the Audit Committee instead in future.

(vi) Has the Committee considered the costs that it incurs: and are the costs appropriate to the perceived risks and benefits?

It was agreed that this should be an item for discussion at the next Audit Committee meeting.

(vii) Does the Committee assess its own effectiveness periodically?
The Committee agreed to make this an annual agenda item and that the Schedule of Business should be amended accordingly. PD

It was agreed that the Deputy Director of Finance would present a one-page action plan at the next Audit Committee meeting. PD

10. Any Other Business

The Committee discussed the usefulness of the additional Audit Committee meeting, i.e. in advance of the Trust Board meeting to approve the Annual Accounts, and it was agreed that it had been worthwhile and was an effective way of providing assurance to the Board.

11. Date and Time of Next Meeting

Wednesday 21st July 2010 at 11.00am in the Level 2 Seminar Room.