

**TRUST BOARD**  
**24<sup>th</sup> November 2016**

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|---|---|--|
| <b>AGENDA ITEM NUMBER</b>   | 8.1   |  |
| <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 not yet been reviewed by the Audit Committee – this will take place at the next Committee meeting to be held on 19 <sup>th</sup> January 2017. |   |  |
| <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 20<sup>th</sup> October 2016 are attached for noting. The key points are: -</p> <ul style="list-style-type: none"> <li>• Internal Audit – received the update paper, noting the outcomes of completed audits during the period;</li> <li>• Charitable Funds Annual Report and Accounts – reviewed and approval recommended I to the Trust Board, along with the associated management representation letter;</li> <li>• Bad debts write offs and losses and special payments were approved;</li> <li>• Scheme of Delegation and Standing Financial Instructions Terms of Reference were reviewed and approval recommended to the Trust Board;</li> <li>• Committee Self –Assessment – reviewed the results of a survey of Committee members using the NHS Audit Committee Handbook self-assessment questionnaire; and</li> <li>• Recommended that the external audit contract be rolled over for another year (Council of Governors already being happy with this) and to put out a tender for internal audit and LCFS services.</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<br>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>   | 17 <sup>th</sup> November 2016  |
| <b>TRUST BOARD ACTION</b>                                 | Receive   |

**TRUST BOARD**  
**24<sup>th</sup> November 2016**

**AUDIT COMMITTEE MEETING**  
**DRAFT MINUTES**  
**20<sup>th</sup> October 2016**

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

**1. Introductions and Apologies for Absence**

Apologies are as listed above. Terry Price welcomed Non-Executive Director Keith Malcouronne to the meeting and introductions were made.

**2. Minutes of Previous Meeting**

Minutes of the Meeting held on 21<sup>st</sup> July 2016

The minutes of the meeting held on 21<sup>st</sup> July 2016 were approved.

**3. Matters Arising**

3.1 Actions List

The Committee reviewed the Actions List which contained nine items and noted the updates given for items 1, 6(ii) and 7 which were now complete. The following action points would be discussed later on the agenda:

- Item 2, Overseas visitor debts – agenda item 8.0;
- Items 4 & 5, Medical Devices – agenda item 4.1;
- Item 6(i), Committee effectiveness checklist – agenda item 11.0; and
- Item 8, Chairman's/Chief Executive's expenses – agenda item 13.2.

The remaining action, item 3, relating to a joint audit of Surrey Pathology Services was ongoing and would therefore remain on the action plan.

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

- a) Incidents

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

- b) Payroll

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

The Committee discussed salary overpayments in more detail and Dakshita Takodra clarified that the majority arose due to late notification of changes/leavers being given to Payroll by Trust managers. The Deputy Director of Finance added that an initial meeting took place earlier in the month between the Workforce and Finance teams to discuss salary overpayments where work began on agreeing the policy and procedures required to deal with identified salary overpayments more effectively in future. This would include targeting persistent offenders. Keith Malcouronne suggested that withholding P45s might be a way of prompting leavers to contact the Trust with regard to repayments and the Deputy Director of Finance agreed to look into this.

PD

- c) Nursing Temporary Staffing

This report concluded that there was substantial 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, two have now been completed and evidenced and the remaining four are not yet due.

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

- six implemented;
- ten work in progress; and
- two outstanding.

Dakshita Takodra commented that the movement in the closing off of recommendations appeared to be slowing but reassured the Committee

that she would be following this up.

Terry Price updated the Committee on a meeting earlier in the month to discuss progress with the Medical Devices recommendations with updates being given by Ollie Swan. This was also attended by Dakshita Takodra and the Deputy Director of Finance. In summary, there had been reasonable progress, there was awareness of the issues and a couple of the actions had been completed. A further update meeting was planned in advance of the January 2017 Audit Committee meeting.

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

Dakshita Takodra informed the Committee that there had been some changes:

- A validation exercise will take place on EU Grant-related expenditure (IMODE) and has been assigned a one day budget offset by a reduction on management days; and
- Discussions have been taking place around the possibility of Internal Audit carrying out an audit of A&E pain management protocols but it had been concluded that there would be more value in it being carried out by Trust staff.

Keith Malcouronne requested a copy of the annual plan and Dakshita Takodra agreed to provide this.

DT

Terry Price explained to the new Non-Executive Directors that the Internal Audit Progress Report always included only summaries of the final reports issued since the last Committee meeting and that the full reports were circulated separately in advance. It was agreed that, if possible, these should be added to the Reading Room section of BoardPad rather than being circulated by email.

PD

The Committee noted the Internal Audit Progress report.

## 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) There was still no feedback from NHS Protect following submission earlier in the year of the Self Review Tool (SRT) for 2015/16; and
- b) There was one open investigation relating to a Trust consultant for which a report for submission to the GMC had been drafted.

Terry Price informed the Committee that the National Fraud Initiative (NFI) 2016/17 exercise was currently underway, results from which would be released in February 2017.

Keith Malcouronne raised a question about how the Trust prevents small items such as stationery being misappropriated and it was agreed that the Director of Finance and Information and Grant Bezuidenhout would give this some more thought and feed back to the Committee at a later date.

SMGB

The Committee noted the report.

## **6. External Audit**

### 6.1 KPMG - Progress Report

Neil Hewitson presented KPMG's External Audit Progress Report which updated the Committee with work performed since the July 2016 Audit Committee meeting. The 2015/16 charitable fund audit had been completed and the ISA260 audit report was included at item 7.1 on the agenda.

The Committee noted the report.

## **7. Charitable Fund Annual Report and Accounts 2015/16**

### 7.1 KPMG – Audit Highlights Memorandum

Charlotte Goodrich presented the highlights from the ISA260 which showed that an unqualified audit opinion was proposed with no significant errors or control weaknesses.

The Committee approved the ISA260.

### 7.2 Annual Report and Accounts

The Deputy Director of Finance presented the 2015/16 Charitable Fund annual report and accounts which had already been reviewed by the Charitable Funds Committee.

Keith Malcouronne highlighted that the majority of the Charity's funds were classified as unrestricted (note 14) and asked KPMG for clarification as to what testing they had carried out to ensure the correct classification. In addition, Keith Malcouronne asked why unrestricted funds had been treated as designated (which is a Trustee action) if there had been no donor imposed restrictions.

Neil Hewitson explained that KPMG look to make sure that funds are correctly presented as either restricted or unrestricted funds and that through their testing of donations and legacies they had gained comfort that there were no legal restrictions in place which would have led to the creation of any new restricted funds. The Charity's designation of unrestricted funds reflects the Trustee's decision to respect the fact that donors may express a form of non-binding preference as to the use of their donations which falls short of imposing a restriction in trust law.

The Committee agreed to recommend approval of the annual report and accounts of the Charity to the Trust Board.

### 7.3 Management Representation Letter

Charlotte Goodrich gave an overview of the contents of the Charitable Fund Management Representation Letter which was of standard format.

The Committee agreed to recommend approval of the Management Representation Letter to the Trust Board.

**8. Bad Debts Write Off**

The Deputy Director of Finance presented a proposal to write off the sum of £84,062.61.

Following discussion on some of the key components of the proposal the Committee approved the write off.

**9. Losses and Special Payments**

The Deputy Director of Finance presented a summary of Losses and Special Payments made during the six months to 30<sup>th</sup> September 2016.

The Committee agreed that more details should be made available to Committee members in relation to the remedy payment of £5,000 and the ex-gratia payment of £2,000. It was agreed that the Deputy Director of Finance would circulate this information via email.

PD

The Committee approved the payments.

**10. Review of Scheme of Delegation and Standing Financial Instructions**

The Deputy Director of Finance presented a report on the review of the Trust's Scheme of Delegation and Standing Financial Instructions which recommended only minor changes.

The Committee approved the proposed changes which will now go to the Trust Board for final approval.

PD

**11. Audit Committee Self-Assessment of Effectiveness**

The Deputy Director of Finance presented the results of the Committee's completion of the NHS Audit Committee Handbook (2014) Self-Assessment Checklist. The Committee discussed the four questions with an average score of less than one. Neil Hewitson commented that question five regarding third party assurances was an example of why this was not a particularly good survey and agreed to share some examples of better ones. It was agreed that at the next annual survey a different form of survey would be issued.

NH

The Committee discussed the comments from KPMG (who had not answered the full survey) at the end of the report which suggested that the Committee might wish to undertake cyclical deep dives into specific risk areas at the Trust not already being covered by other Trust Committees. These could be in areas like &E, overseas visitors, counter fraud etc. It was agreed that the Director of Finance and Information and the Deputy Director of Finance would bring some suggestions to the next meeting.

PD/SM

The Committee noted the report.

**12. Integrated Governance****12.1 QAPC Feedback**

There was no feedback for the Audit Committee from QAPC.

**12.2 Items for Information/Recommendations to QAPC and/or Trust Board**

Trust Board

- Recommend approval of the Charitable Fund annual report and accounts and Management Representation Letter; and
- The approved changes to the Trust's Scheme of Delegation and Standing Financial Instructions.

QAPC

- The outcome of internal audit's review of Incidents.

**13. Items for Information/Noting**

13.1 Schedule of Business 2016/17

The Deputy Director of Finance informed the Committee that a date still needed to be set in May 2017 for the approval of the Annual Report and Accounts and that, if similar to 2016, this was likely to be 18<sup>th</sup> May 2017. This invite would be sent out as soon as possible.

PD

The Committee noted the Schedule of Business 2016/17.

13.2 Chairman and Chief Executive Expenses

The Committee noted the report covering quarters 1 and 2 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.

13.3 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 and that the external audit contract with KPMG should be rolled over for a further year.

**14. Any Other Business**

There were no items of any other business.

**15. Date and Time of Next Meeting**

Thursday 19<sup>th</sup> January 2017, at 11.00am in Room 2 Chertsey House, St. Peter's Hospital.