

TRUST BOARD
25th July 2013

TITLE	Minutes of the Audit Committee meeting held on 22nd May 2013.
EXECUTIVE SUMMARY	<p>The attached are minutes of the Audit Committee meeting held on 22nd May 2013.</p> <p>The significant items covered by the minutes have already been seen by the Trust Board over the last three months, namely, Annual Report and Accounts, Scheme of Delegation and Standing Financial Instructions and the Annual Report of the Committee to the Trust Board.</p>
BOARD ASSURANCE (Risk) / IMPLICATIONS	The Board is assured by the scrutiny provided by the Audit Committee on matters of risk.
LINK TO STRATEGIC OBJECTIVE	The Audit Committee scope encompasses all Trust Strategic Objectives.
STAKEHOLDER / PATIENT IMPACT AND VIEWS	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 AND DIVERSITY ISSUES	None that I am aware of.
LEGAL ISSUES	None that I am aware of.
The Trust Board is asked to:	Receive the minutes of the Audit Committee meeting held on 22 nd May 2013.
Submitted by:	Terry Price, Non-Executive Director/Audit Committee Chair
Date:	18 th July 2013
Decision:	For Receiving

TRUST BOARD
Date: 25th July 2013

Title: Minutes of the Audit Committee Meeting held on 22nd May 2013

PRESENT:	Mr. Terry Price Mr. Jim Gollan	Non-Executive Director and Committee Chair Non-Executive Director
IN ATTENDANCE:	Mr. Simon Marshall Mr. Paul Doyle Ms. Dakshita Takodra Mr. Philip Johnstone Mr. John Lester Mr. George Roe Ms. Giselle Rothwell	Director of Finance and Information Deputy Director of Finance Parkhill (Internal Audit) KPMG (External Audit) KPMG (External Audit) Head of Corporate Affairs Head of Communications (agenda item 5.5)
SECRETARY:	Ms. Miriam Bateson	Head of Financial Services
APOLOGIES:	Mr. Peter Taylor Mr. Andrew Liles Mr. Carl Watson Mr. Veran Patel	Non-Executive Director Chief Executive Chantrey Vellacott DFK (LCFS) Parkhill (Internal Audit)

1. Introductions and Apologies for Absence

Apologies are as listed above.

2. Minutes of Previous Meeting

Minutes of the Meeting held on 20th March 2013

The minutes of the meeting held on 20th March 2013 were approved.

3. Matters Arising – Actions List

The Committee reviewed the Actions List and noted that items 5.1 and 4.4 had been deferred until the July meeting and that the remaining two items were now complete.

4. Internal Audit

4.1 Internal Audit Report - Progress Report

Dakshita Takodra presented the progress report from Parkhill which included the following:

- (i) Internal audit plan status report – Testing for the mandated quality indicators has been completed and final reports have been issued for the two audits detailed in (ii) below. The Rostering/Bank & Agency report is currently under discussion with management and it was agreed that, once

finalised, Dakshita Takodra would circulate this to Committee members.

With regard to 2013/14 audits, the scope has been agreed and planning started for three audits, two of which, namely Patients Monies and Estates, would be complete by the July Audit Committee meeting.

(ii) Summaries of final reports issued for the following completed audits:

a) Information Governance

This report concluded that there was substantial assurance in this area. In total three recommendations had been made of which one was medium level and two were low level.

b) Benefits Realisation – BlueSpier (IT Audit)

This report concluded that there was limited assurance in this area. In total nine recommendations had been made of which one was high level, seven were medium level and one was low level. As six of the recommendations had an implementation date of June 2013 it was agreed that an update would be sought from Victoria Griffiths in advance of the July Audit Committee Meeting.

DT/VG

(iii) A database of progress with implementing internal audit recommendations - of the 57 recommendations outstanding from prior years 34 have now been evidenced and the latest position of the remaining 23 was:

- 4 implemented;
- 10 work in progress;
- 7 not yet due; and
- 2 responses awaited.

- the latest position of the 49 recommendations in relation to 2012/13 audits was:

- 40 implemented (of which 32 evidenced so far)
- 1 work in progress;
- 7 not yet due; and
- 1 response awaited.

The Committee noted the Internal Audit Progress report.

4.2 Internal Audit Annual Report

Dakshita Takodra presented the Internal Audit Annual Report 2012/13 which contained a section on benchmarking and a summary of all internal audit conclusions in section 5.

The Committee noted the report.

4.3 Head of Internal Audit Opinion

Dakshita Takodra presented the Head of Internal Audit Opinion 2012/13 which contained an overall opinion of significant assurance.

The Committee noted the report.

5. Annual Report, Accounts and Quality Report 2012/13

5.1 Losses and Special Payments 6 months to 31st March 2013

The Deputy Director of Finance presented a summary of Losses and Special Payments made during the 6 months to 31st March 2013.

The Committee discussed the item relating to the loss of a patient's ring and noted that process around this type of loss would be covered by the Patients Monies internal audit currently underway and due to be reported to the next Committee meeting.

The Committee approved the payments.

5.2 KPMG – Progress Report

Philip Johnstone presented KPMG's External Audit Progress Report which updated the Committee with work performed since the March 2013 Audit Committee meeting, work planned for the following period and also a number of technical updates.

The Committee noted the report.

5.3 KPMG – ISA260 Audit Highlights Memorandum

Philip Johnstone presented KPMG's ISA260 Audit Highlights Memorandum for 2012/13 which confirmed that all prior year recommendations had been implemented and made two medium level recommendations in relation to inventory control and impairment review. The Committee agreed that a paper on impairment review should be added to the Audit Committee's Schedule of Business for March each year. The Committee noted that an item had been added to the Management Representation letter (see 5.7 below) confirming the Board's assurance over the appropriateness of there being no formal impairment review of assets under construction completed in year, prior to the start of the audit.

PD

The report also concluded that the Trust had adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The report highlighted two areas where audit work remained outstanding:

- Completion of their review of the Annual Report; and
- Supporting documentation for an exit package paid in the year was still awaited.

There were no unadjusted or adjusted audit differences. However there had been some minor presentational changes required to the accounts.

Philip Johnstone also highlighted the areas of high risk that had been identified for the Trust at the planning stage of the audit on page 10 of the report. With regard to the Managed Equipment Service, it was agreed that audit sign off of the Trust's proposed accounting treatment would be obtained in advance of the 2013/14 final audit.

PD

The Committee approved the report.

5.4 KPMG – Report on Quality Accounts

John Lester presented KPMG’s draft External Assurance on the Quality Report 2012/13. A limited assurance opinion had been achieved on the content of the Quality Report. However, at the time of writing, KPMG were not yet in a position to determine whether a limited assurance opinion had been achieved on the two mandated performance indicators. Work was ongoing in relation to this.

In relation to the requirement for the Trust to obtain external audit assurance (but not a limited assurance opinion) over one further mandated indicator relating to incidents resulting in severe harm, KPMG have decided nationally that this is not a suitable indicator for audit and have fed this back to Monitor.

In total three medium level recommendations had been made.

The Committee noted the draft report.

5.5 Annual Report and Accounts

(i) Annual Report

The Head of Communications presented the draft 2012/13 Annual Report and John Lester confirmed that, as mentioned by Philip Johnstone in 5.3 above, KPMG were still carrying out their review.

The Head of Communications noted the comments raised by the Audit Committee on various sections of the report.

The Committee noted the report.

(ii) Quality Account

The Audit Committee recommended that in future years the draft Quality Account should be scrutinised by IGAC before being submitted to the Audit Committee, as the Audit Committee role is to ensure that the Quality Account is prepared on time and in accordance with relevant guidance - it does not review content. Without IGAC review there is a lack of proper scrutiny prior to Board approval.

IGAC

Terry Price agreed to raise this with the Trust Board.

Trust Board

The Committee noted the report.

(iii) Financial Review & Remuneration Report

The Deputy Director of Finance presented the Financial Review and Remuneration Report which this year included additional disclosures in relation to income.

The report included the Trust’s 2012/13 Annual Governance Statement which reported one significant internal control issue in relation to the failure of the Trust to meet the four hour target in quarter four of 2012/13.

Subject to the completion of the section on Off Payroll Engagements, the Committee approved the Financial Review & Remuneration Report.

(iv) Annual Accounts

The Deputy Director of Finance presented the Annual Accounts.

The Committee approved the Annual Accounts subject to formal Trust Board sign-off.

5.6 Schedule of Adjusted and Non-Adjusted Items

The Deputy Director of Finance presented the Schedule of Adjusted and Non-Adjusted Items which was noted by the Committee.

5.7 Management Representations Letter – Financial Statements

The Deputy Director of Finance presented the Management Representations Letter which, except for items 4 and 14, was in standard format.

Item 4 confirmed that the restatement in relation to the change of accounting policy is appropriate and, as mentioned in 5.3 above, item 14 confirmed the Board's assurance over the appropriateness of there being no impairment review of assets under construction completed in year.

The Committee recommended that assurance could be given to the Trust Board to approve the Management Representations Letter.

5.7a Management Representations Letter – Quality Accounts

John Lester tabled a Management Representations Letter in relation to the Quality Accounts which would need to be signed by the Chief Executive.

The Committee noted the Management Representations Letter and asked the Head of Corporate Affairs to bring it to the attention of the Chief Executive.

6. Regulatory and Governance

6.1 Monitor Code of Governance

The Head of Corporate Affairs presented a report on the Trust's compliance with Monitor's Code of Governance 2010 and confirmed that there were no points of non-compliance.

Jim Gollan noted that with reference to item A.1.3, only one such meeting had taken place.

The Committee approved the report.

6.2 Annual Plan Self-Certification

The Head of Corporate Affairs presented a report on the three statements in the Corporate Governance Statement (required by Monitor as part of the Annual Plan submission) which lie within the remit of the Audit Committee.

The Committee agreed that the Trust was compliant with statements 10, 17 and 18 and approved the report.

6.3 Review of Scheme of Delegation

The Deputy Director of Finance presented a paper reviewing the Trust's Scheme of Delegation and informed the Committee that no significant changes were proposed and that limits in respect of Council of Governors approval have now been added in sections 4, 8 and 16.

The Committee approved the revised Scheme of Delegation subject to formal Trust Board sign-off.

6.4 Review of Standing Financial Instructions

The Deputy Director of Finance presented a paper reviewing the Trust's Standing Financial Instructions with proposed changes to reflect updated guidance or legislation and general clarification only.

The Committee approved the revised Standing Financial Instructions subject to formal Trust Board sign-off.

6.5 Draft Annual Report to the Trust Board

Terry Price presented the Draft Annual Report from the Audit Committee to the Trust Board.

Subject to a couple of clarifications highlighted by Terry Price (number of attendances by Peter Taylor and number of internal audit recommendations) the Committee approved the report.

7. Any Other Business

7.1 Private Discussions with Auditors

All non-Committee members left the meeting to enable the Committee members to have private discussions with KPMG and Parkhill.

8. Date and Time of Next Meeting

Wednesday 17th July 2013, at 11.00am in Room 2 Chertsey House, St. Peter's Hospital.