

**TRUST BOARD**  
**26<sup>th</sup> August 2010**

<b>TITLE</b>	<b>Draft minutes of the Audit Committee meeting held on 21<sup>st</sup> July 2010.</b>
<b>EXECUTIVE SUMMARY</b>	<p>The Audit Committee considered the following key points: -</p> <ul style="list-style-type: none"> <li>▪ <b>Internal Audit Annual Report</b> – reviewed the annual report from the internal auditors which set out improvements in the level of full and significant assurance given to controls tested;</li> <li>▪ <b>Internal Audit Plan</b> – approved the detailed plan for the 2010/11 year;</li> <li>▪ <b>Local Counter Fraud Specialist (LCFS) Update</b> – received an update on the ongoing case work and proactive work that had been carried out;</li> <li>▪ <b>External Auditors Performance Management Report</b> – reviewed the report and received an update on recommendation implementation;</li> <li>▪ <b>Audit Recommendations</b> – reviewed updates on the implementation of medium and high level recommendations arising from internal, external and Audit Commissions audit reports; and</li> <li>▪ <b>Terms of Reference</b> – reviewed and amended the current Terms of Reference of the Committee prior to Trust Board approval.</li> </ul>
<b>BOARD ASSURANCE (Risk) / IMPLICATIONS</b>	The Board is assured by the scrutiny provided by the Audit Committee on matters of risk.
<b>STAKEHOLDER / PATIENT IMPACT AND VIEWS</b>	None obtained.
<b>EQUALITY AND DIVERSITY ISSUES</b>	None that I am aware of.
<b>LEGAL ISSUES</b>	None that I am aware of.
<b>The Trust Board is asked to:</b>	Note the draft minutes of the Audit Committee meeting held on 21 <sup>st</sup> July 2010.
<b>Submitted by:</b>	Terry Price, Non-Executive Director/Audit Committee Chair Paul Doyle, Deputy Director of Finance
<b>Date:</b>	30 <sup>th</sup> July 2010
<b>Decision:</b>	For Noting

**TRUST BOARD**  
**26<sup>th</sup> August 2010**

**Minutes of the Audit Committee Meeting held on 21<sup>st</sup> July 2010**

<b>PRESENT:</b>	Mr. Terry Price	Non-Executive Director and Committee Chair
	Mr. Peter Taylor	Non-Executive Director
	Mr. Nadeem Aziz	Non-Executive Director
<b>IN ATTENDANCE:</b>	Mr. John Headley	Director of Finance and Information
	Mr. Ben Endersby	Chantrey Vellacott DFK (Internal Audit)
	Mr. Daniel Codling	KPMG (External Audit)
	Mr. John Lester	KPMG (External Audit)
	Mr. Paul Doyle	Deputy Director of Finance
<b>SECRETARY:</b>	Mr. Pravin Somasundram	Management Accountant
<b>APOLOGIES:</b>	Mr. Andrew Liles	Chief Executive
	Mr. Mark Kinsella	Chantrey Vellacott DFK (Internal Audit)
	Ms. June Awty	KPMG (External Audit)

**1. Apologies**

As listed above.

**2. Minutes of the Meeting held on 9<sup>th</sup> June 2010**

The minutes of the meeting held on 9<sup>th</sup> June 2010 were agreed.

**3. Matters Arising**

Action Points not on Agenda

In respect of the two items on the LCFS staff survey and an on-line counter fraud course, the Director of Finance and Information advised the Committee that there was currently a change in LCFS under way. The service would still be provided by Chantrey Vellacott DFK. It was agreed that these two points would be combined and carried forward to the next meeting.

PD

Daniel Codling advised that national guidance was still awaited in the format for the current years Annual Audit Letter, especially in the light of the changes in ALE. It was agreed that this would be presented at the October meeting.

DC

**4. Internal Auditors Report**

(i) Internal Audit – Annual Report

Ben Endersby presented the Annual Report for 2009/10 covering internal audit activity up to the 14<sup>th</sup> July 2010. This showed that CVDFK had issued thirteen final audit reports with two remaining at draft stage, namely the Runnymede contract and Payroll Probity.

In respect of the latter report Ben Endersby stated that an exit meeting was planned with Human Resources as the review revealed missing data within ESR, in the form of start dates.

The Director of Finance and Information asked if there had been much correspondence with Runnymede. Ben Endersby agreed to clarify this in order to avoid any form of duplication with work to be undertaken by the Trust. The report was expected to be issued by the end of the month.

BE

The Committee noted that the controls showed a satisfactory increase (Full and Significant) from that of last year. Ben Endersby commented that the sound controls in place were in line with other FT's that were clients of Chantrey Vellacott DFK. The Committee were pleased with the way in which the Trust compared when benchmarked against other FT's.

Peter Taylor commented that although the controls were satisfactory, the speed of implementation needed improvement. The Director of Finance and Information said that this is an area the Trust was looking to advance.

The Committee noted the Annual Report.

(ii) Draft Internal Audit Plan 2010/11

Ben Endersby presented the draft internal audit plan for 2010/11. This included the addition of an audit on the Review of Clinical Audit Arrangements as requested by IGAC.

Terry Price requested that a clearer "work schedule" for the current year be presented at the next meeting detailing the quarter that the work would be carried out in. Ben Endersby agreed to provide a revised schedule with a broken down mapping by dates.

BE

The Director of Finance and Information updated the Committee on a piece of work that the Trust had commissioned from Chantrey Vellacott DFK over and above the plan. This related to the Governance element of the Trust's self certification to Monitor for its FT application. The Committee noted this additional work.

The Committee approved the internal audit plan for 2010/11.

(iii) LCFS Update Report

The Director of Finance and Information notified the Committee that Carl Watson had been assigned as the new LCFS for the Trust. The appointment of Carl Watson should hopefully address issues that the Trust had encountered.

The Director of Finance and Information noted that a lot of proactive work had taken place in June including a stand in the main entrance and a presentation at Team Briefing. Nadeem Aziz mentioned that he had had an

LCFS update as part of his induction programme and was satisfied with the introduction.

Director of Finance and Information mentioned that as a result of work on the mail franking system a message had been put in the daily Aspire e-bulletin reminding staff of the proper use of this system.

The Committee noted the update report.

(iv) LCFS Local Risk Management Report – Transport

The Director of Finance and Information presented the report for information and noted that the excess mileage claim form had been incorporated into the draft Expenses Policy.

(v) 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.

It was noted that Terry Price, Ben Endersby and the Deputy Director of Finance had met with a number of managers on 16<sup>th</sup> July 2010 and the results of these meetings had been incorporated into the paper.

In the period since the last meeting thirty medium and high level recommendations had been added and forty five removed. This left a total of fifty two recommendations outstanding. The report now included an aging of the recommendations.

The Deputy Director of Finance reported that eighteen of these related to the Theatres System. The Committee were already aware that the implementation of a new system would resolve these and an update had been received at the 16<sup>th</sup> July 2010 meetings. The new theatre system has gone live at Ashford Hospital, with St. Peters Hospital following in mid August.

Peter Taylor said now that we have seen the progress report aged, we needed to identify the best way of dealing with it. Currently there were seven other recommendations from 2009 that were outstanding. It was agreed that the extra meetings held with the Chair of the Committee were proving useful in this respect.

Terry Price added that Theatres System report was an example of manager's not setting realistic timescales when finalising a report, suggesting that we must train and set a level of expectation. The Deputy Director of Finance stated that in order to aid this draft reports would be reviewed by the Director of Finance and Information or Deputy Director of Finance prior to finalisation.

(vi) Follow up of LCFS Staff Survey Recommendations

This item was deferred to the next meeting due to the change in LCFS.

**5. External Auditors Report**

(i) Performance Management Review

Daniel Codling presented the Performance Management Review and pointed out that the key findings were getting a formally agreed performance management framework in place and standardisation of arrangements across the Trust.

Daniel Codling said that the overall practice had improved but documentation needed improving.

The Director of Finance and Information answered by saying that subsequent to the report being issued a framework had been put in place and approved by the Trust Executive Committee.

The Committee noted the report.

#### (ii) Follow up of External Audit Recommendations

The Deputy Director of Finance presented a report of progress against External Audit recommendations which showed five recommendations still to be implemented compared to four reported in April. In total sixteen recommendations had been added and fifteen removed.

Terry Price said that of the outstanding recommendations three related to Risk Management (Items 2, 3 and 4). It was important that the revised Integrated Governance and Risk Management Strategy be prepared by the risk team in time for the October IGAC and Audit Committee meetings.

SJ

### **6. Follow up of Audit Commission PbR recommendations**

The Deputy Director of Finance reported that Terry Price, Ben Endersby and himself had met with Cath Jago on 16<sup>th</sup> July 2010 to run through progress on implementing the recommendations from the inpatient and outpatient PbR reports. Good progress had been made in relation to ownership and all admitted patient care recommendations had been implemented.

The Director of Finance and Information added that the inpatients report suggests that the Trust has one of the best inpatients coding systems. However, outpatients coding continue to be poor due to third party/outsourced administration.

Terry Price requested an update for the outpatients audit for the next meeting.

PD

### **7. Fraud Management Policy**

The Director of Finance and Information stated that the Trust was keeping the existing Fraud Management Policy and Response Plan and that this had been approved by the Trust Executive Committee.

Nadeem Aziz questioned the ability to safeguard individuals and if it was clear how this would be done. Peter Taylor said that the Whistle Blowing Policy must be cross referenced with safeguarding individuals. Terry Price requested that the whistle blowing policy be brought to the next meeting.

PD

The Committee noted the report and subject to changing the date on the front it could now go through the relevant impact assessments before being

issued.

**8. ALE Update**

The Director of Finance and Information stated that the goalposts in relation to ALE were moving at the current time, but that the focus should still be on improving financial management.

It was agreed that the paper that was presented would be presented to Executive Directors and owners assigned for each of the areas. Terry Price requested an update on progress be brought to the January 2011 meeting.

PD

**9. Audit Committee Self Assessment - Action Plan**

The Deputy Director of Finance presented an action plan in respect of the Audit Committee Self Assessment checklist.

Terry Price asked if Internal/External audit fees were benchmarked against other FT's i.e. why are we choosing certain Auditors over others. The Director of Finance and Information answered by saying that all Trusts were similar as per national mandate therefore the going rate wouldn't be much different.

It was agreed that the Director of Finance and Information and Terry Price would discuss key aspects outside of the meeting and that an update on the action plan be brought back to the October meeting.

PD

**10. Terms of Reference Review**

The Committee reviewed its Terms of Reference. In general the Committee agreed with the current ones but a few changes were proposed to strengthen them.

It was agreed that a revised set of Terms of Reference would be finalised between the Committee Chair and Deputy Director of Finance outside of the meeting and presented to the August Trust Board meeting for approval.

PD

**11. Monitor's Code of Governance**

The Committee noted the paper and also that members had been provided with a copy of the Code.

**12. Annual Reports/Quality Account**

Terry Price reported that he wanted to add to the Audit Committee's schedule of business the timetable and process for the production of the Annual Accounts, Quality Accounts and Annual Report. Currently these are produced to different timetables but commonality was required.

In addition it was likely that the Quality Accounts would be audited in 2010/11 just like FT's currently undergo. Ben Endersby confirmed that for FT's Monitor had five objectives that were mandated and that the work on these would be split between Chantrey Vellacott DFK and KPMG. Monitor guidance for 2010/11 would be out later in the year.

The Committee agreed to add this to the Schedule of Business.

PD

**13. Integrated Governance**

(i) Corporate Risk Register

The Committee noted the Summary of Corporate Risks as at 16<sup>th</sup> June 2010.

(ii) Minutes of IGAC meeting held on 21<sup>st</sup> May 2010

The Committee noted the minutes of the IGAC meeting held on 21<sup>st</sup> May 2010.

**14. Items of Information/Noting**

(i) Draft Schedule of Business 2010/11

The Committee noted the draft Schedule of Business 2010/11.

(ii) Chairman and Chief Executive Expenses

The Committee noted the schedule of quarterly expenses for the Trust Chairman and Chief Executive.

**15. Any Other Business**

There were no items of Any other Business.

**16. Date and Time of Next Meetings**

Wednesday 20<sup>th</sup> October 2010 at 11.00am in the Level 2 Seminar Room.