Ashford and St. Peter's Hospitals NHS
NHS Foundation Trust

TRUST BOARD
28th April 2011

TITLE	**Draft minutes of the Audit Committee meeting held on 23rd March 2011**.
EXECUTIVE SUMMARY	The Audit Committee considered the following key points: - ▪ **Audit Recommendations** – reviewed updates on the implementation of medium and high level recommendations arising from internal and external audit reports; ▪ **Draft Internal Audit Plans** - reviewed the drat audit plan for 2011-14 from internal audit; ▪ **Local Counter Fraud Services (LCFS)** – reviewed a number of reports and updates in respect of LCFS and the ongoing proactive work taking place; ▪ **External Audit** – approved the appointment of KMPG made by the Council of Governors and approved the signing of the Terms of Engagement letter; ▪ **Standing Financial Instructions and Scheme of Delegation** – reviewed and approved changes to the SFI's and Scheme of Delegation prior to Trust Board approval; and ▪ **Annual Plan Self Certification** – reviewed and approved the evidence in support of the self certification of statements 7 and 9 to the Compliance Framework.
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 23rd March 2011.
Submitted by:	Terry Price, Non-Executive Director/Audit Committee Chair Paul Doyle, Deputy Director of Finance
Date:	20th April 2011
Decision:	For Noting

Ashford and St. Peter's Hospitals NHS
NHS Foundation Trust

TRUST BOARD
28th April 2011

Draft Minutes of the Audit Committee Meeting held on 23rd March 2011

Note that these draft minutes will be reviewed and approved at the next Audit Committee meeting.

PRESENT:	Mr. Terry Price	Non-Executive Director and Committee Chair
	Mr. Peter Taylor	Non-Executive Director
	Mr. Jim Gollan	Non-Executive Director
IN ATTENDANCE:	Mr. John Headley	Director of Finance and Information
	Ms. Jane Gear	Head of Corporate Affairs
	Mr. Andrew Liles	Chief Executive
	Mr. Ben Endersby	Chantrey Vellacott DFK (Internal Audit)
	Mr. Mark Kinsella	Chantrey Vellacott DFK (Internal Audit)
	Ms. Lesley Heasman	Chantrey Vellacott DFK (Internal Audit)
	Mr. Carl Watson	Chantrey Vellacott DFK (Internal Audit)
	Mr. Ross Tudor	KPMG (External Audit)
	Ms. Eleanor Richards	KPMG (External Audit)
	Mr. Paul Doyle	Deputy Director of Finance
	Ms. Giselle Rothwell	Head of Communications (item 8)
SECRETARY:	Ms. Miriam Moore	Head of Financial Services
APOLOGIES:	None	

1. Introductions and Apologies for Absence

Terry Price welcomed Jim Gollan and Eleanor Richards to their first meeting.

2. Minutes of the Meeting held on 19th January 2011

Two matters of accuracy were agreed and noted in relation to items 4(i) and 4(vi):

- 4(i) Amend the last sentence of the second paragraph to read "Ben Endersby advised that of the audit of Carbon Reduction Management and the Self Service ESR Implementation Project should be completed by the next Committee meeting."

- 4(vi) Amend the first sentence of the second paragraph to read "Carl Watson added that updates to the Counter Fraud intranet pages would shortly be taking place."

Subject to amendment for these items, the minutes of the meeting held on 19th January 2011 were agreed.

3. Matters Arising

(i) Action Points not on Agenda

None

4. Internal Auditors Report

(i) Internal Audit Progress Report

Mark Kinsella presented the Summary Progress Report on the internal audit programme for 2010/11 advising that it was on target for completion in mid May.

Ben Endersby informed the Committee that, whilst the Review of Clinical Audit Arrangements had been carried out as planned, the Head of Quality and Integrated Governance had asked for the scope to be extended. Ben Endersby advised that the extra days required for this work were available within the 2010/11 Internal Audit plan and this was agreed by the Committee.

The Committee noted that the date referred to in the first paragraph of section 3 should read 22/4/2011 and not 22/4/2001.

The Committee noted the report.

(ii) Internal Audit Report – Accounts Payable

Ben Endersby presented the internal audit report on Accounts Payable which concluded that there was significant assurance in this area. In total seven recommendations had been made of which two were medium level and the remaining five were low.

The Committee noted the report.

(iii) Internal Audit Report – Carbon Reduction Review

Ben Endersby presented the internal audit report on the Carbon Reduction Review which concluded that there was significant assurance in this area. The Committee noted that the report contained an error in that of the six recommendations made, three were high level, not one as stated. The additional two high recommendations were those identified in the second row of the Action Plan table (referenced 1.1.1). There were also three medium level recommendations.

The Committee discussed the Board's focus in this area and Terry Price asked the Head of Corporate Affairs and the Chief Executive to discuss this further outside of the Audit Committee. It was agreed that this would be done through Trust Executive Committee. JGe

The Committee noted the report.

(iv) Internal Audit Report – Post Implementation Review on Theatre System

Ben Endersby presented the internal audit report on the Post Implementation Review of the Theatre System which concluded that there was significant assurance in this area. In total five recommendations had been made, one of which was high level and the remaining four were medium.

The Committee discussed whether the benefits put forward by the original business plan had been measured and it was noted that item 4 of the action plan on page 11 refers to a full Post Implementation Assessment being due for completion in May 2011. It was agreed that the Director of Finance and Information would ensure that this was followed up by the Trust Executive Committee. JH

The Committee noted the report.

(v) Internal Audit Report – IG Toolkit

Lesley Heasman presented the internal audit report on the review of the IG Toolkit. To obtain a pass with this mandated audit, the Trust needed to have achieved a level 2 on the 22 key requirements out of the total 45 requirements. However, it had been agreed that as part of this review a split opinion would be given which would give a pass or fail opinion on both the achievement of level 2 and above for the 22 key criteria and a pass or fail on the processes in place for the completion and achievement of the key criteria.

At the time of the audit the Trust had failed to achieve a level 2 or above on the 22 key requirements but had until 31st March 2011 to correct this. However, subject to completion of one outstanding criteria, the opinion on the processes in place for completing the assessment will be assessed as a pass.

Terry Price questioned the use of the term "ongoing" in the implementation column of the Action Plan. The Director of Finance and Information agreed to review these items in order to clarify the implementation plans. JH

Lesley Heasman drew the Committee's attention to the requirements of criteria 112, namely that 95% of Trust staff must have completed the on-line Information Governance training tool. The Committee discussed whether or not the failure to achieve 95% compliance was a control issue requiring separate disclosure in the Annual Governance Statement (formerly SIC). Mark Kinsella advised that it should be included in section 4. This led to a discussion about the 2009/10 Information Governance breach and it was agreed that the Director of Finance and Information would review the completed actions that arose from that breach. JH

The Committee noted the report.

(vi) Draft Head of Internal Audit Opinion 2010/11

Mark Kinsella presented the Draft Head of Internal Audit Opinion 2010/11 drawing attention to the split between assurance related activity and advisory activity. It was agreed that a more complete draft would be circulated to Audit Committee members by the Director of Finance and Information towards the end of April. JH

The Committee noted the report.

(vii) Draft Internal Audit Plan 2011-2014

Ben Endersby presented the Draft Internal Audit Plan 2011-2014 as a discussion document. The Committee discussed the suggested audits as well as some possible additional audits. It was agreed that Board input was required and the Chief Executive agreed to prepare a short paper for the April AL

Board Meeting in order to obtain this.

The Committee noted the report.

(viii) LCFS Update Report

Carl Watson presented the update report on progress with counter fraud matters. This included: -

a) Proactive work:
   - Change and re-launch of Trust's dedicated Fraud and Corruption Hotline number;
   - A presentation made at the Team Briefing on 25th February 2011;
   - LCFS presentation delivered to 82 new employees and volunteers at the two most recent Trust induction courses. Carl Watson informed the Committee that feedback on these sessions is given to the organiser and that he was currently reviewing it with a view to preparing an action plan;
   - Completion of the annual fraud risk assessment tool;
   - Completion of work and draft report issued on a fraud prevention exercise based on pre-employment screening;
   - Redesign of the Counter Fraud pages of Trust Net;
   - Work has commenced on revising the Whistle Blowing Policy and also the Fraud Communications Strategy in line with weaknesses identified by the CFSMS;
   - Preparing the Trust for impending implementation of the Bribery Act 2010 by drafting a Bribery Policy and agreeing design and development of training materials.

b) Reactive work, which confirmed that there has been one referral since the last Audit Committee meeting in relation a potential conflict with work at the Trust. However, LCFS advice was that it is unlikely to be suitable for taking forward as a criminal issue. HR have been advised to confirm whether there has been an actual loss to the Trust and to seek repayment if there has.

The Committee noted the report.

(ix) LCFS – Qualitative Assessment Report 2009/10

Carl Watson presented the report on the 2009/10 Qualitative Assessment of Counter Fraud arrangements in place at the Trust. This assessment is carried out annually using the information captured by each NHS organisation on their annual Qualitative Assessment (QA) declaration.

The Trust has been assessed as a rating 2 which indicated evidence of a range of outputs. In particular this rating indicates that there is evidence of strong proactive work and that the investment given to counter fraud work is adequate to complete work effectively.

The report outlines three "red flag" areas where an opportunity has been identified to strengthen areas of serious weakness in the organisations counter fraud arrangements. The report also contains an action plan which gives specific guidance opportunities for development and an update is provided in 4 (x) below.

The Committee noted the report.

(x) LCFS – Qualitative Assessment Report 2009/10 Action Plan Update

Carl Watson presented a report of the Action Plan Update in relation to the 2009/10 Qualitative Assessment which concludes that action, or a commitment to appropriate future action, has now been taken in response to each of the Red Flag areas indentified in the report as well as each element of the Action Plan.

The Committee noted the report.

(xi) LCFS – Local Risk Management Exercise: Fleet Transport Part 2 Update Report

As requested at the last meeting Carl Watson presented an Action Plan for the findings of the Local Risk Management Exercise for Transport which was completed in December 2010.

The Committee noted the report.

(xii) LCFS – Redesign of Counter Fraud Intranet Pages Report

Carl Watson presented the Report on the Redesign of the Counter Fraud Intranet Pages. The redesigned pages have been launched and followed up by daily promotion in the Aspire e-bulletin. The Committee asked the Head of Communications to report back on hit rates, if possible. GR

The Committee noted the report.

(xiii) LCFS – Annual Fraud Risk Assessment Report

Carl Watson presented the Annual Fraud Risk Assessment Report resulting from the CFSMS Risk Assessment Tool (RAT) which is a strategic risk tool designed to assess the strength of local fraud arrangements. The Report finds that the Trust has achieved an overall green outcome, which demonstrates a robust counter fraud arrangement.

The Committee discussed the contradictory messages presented by this and the Qualitative Assessment Report 2009/10 reported in 4 (ix) and (x) above.

The Committee noted the report.

(xiv) LCFS Draft Work Plan 2011/12

Carl Watson presented the proposed LCFS Work Plan 2011/12. The Committee approved the plan.

(xv) LCFS – Overview of Proposed Approach to the Qualitative Assessment Declaration for 2010/11

Carl Watson presented the report on the Overview of Proposed Approach to the Qualitative Assessment Declaration for 2010/11 which is due for submission at the end of April 2011.

The Committee approved the plan.

(xvi) 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 16 recommendations had been added and 20 removed; a total of 21 remained outstanding.

It was noted that the Patient Property form re-design had moved again to the end of April. The Committee agreed that this was not acceptable and that this should be escalated to the Chief Nurse. PD/JH

The Committee noted the report.

5. External Auditors Report

(i) Progress Report

Ross Tudor presented the External Audit Progress report on work carried out since the January Audit Committee meeting. This included the interim audit which had no material issues and also the mandated Reference Costs audit which also had no significant issues.

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 that the one outstanding item has now been cleared.

6. Audit Commission Payment by Results Data Assurance Outpatients Audit

The Deputy Director of Finance presented a report on the Audit Commission's Outpatients Audit which concluded that policy and procedural arrangements are now meeting minimum requirements, accountability arrangements continue to be adequate and data entry and IT systems have improved and are now good. Two recommendations had been made and accepted by the Trust.

The Committee noted the report.

7. 2010/11 Annual Governance Statement

The Director of Finance and Information gave a verbal update on progress with drafting the 2010/11 Annual Governance Statement and invited the Committee's views on any key issues needing to be included. Information Governance was highlighted as a concern but had already been discussed (see 4(v) above).

Ross Tudor suggested reviewing the suggestions made by Monitor as part of the Foundation Trust authorisation process and the Committee agreed that this should be done. PD

8. Timeline for Annual Report and Accounts and Quality Accounts

The Head of Communications presented the timetable for preparation of the Annual Report, Account and Quality Accounts which was discussed. It was noted that the Trust Board had already received some information on Quality Accounts.

The Committee noted the report.

9. Review of Standing Financial Instructions

The Deputy Director of Finance presented the Review of Standing Financial Instructions which proposed changes in relation to the following:

- Change of Trust status to Foundation Trust;
- Legislation updates;
- General clarification.

It was agreed that the document would be circulated after the meeting with the "track changes" tool enabled, to highlight the specific changes. PD

Subject to any amendments that may arise from this review, the Committee agreed to recommend the Standing Financial Instructions to the Board.

10. Review of Scheme of Delegation

The Head of Corporate Affairs presented the Review of the Scheme of Delegation for 2011-12 which proposed changes in relation to the following:

- Change of Trust status to Foundation Trust;
- Legislation updates;
- General clarification.

Terry Price requested a change to the Audit section on page 7 to remove the reference to advising the Council of Governors on the appointment of external auditors for funds held on trust.

The Deputy Director of Finance proposed an amendment to the Policy Determination section of page 7 to include the Treasury Management Policy.

Subject to the two amendments referred to above, the Committee agreed to recommend the Scheme of Delegation 2011-12 to the Board.

11. Bad Debt Write Off

The Head of Financial Services presented a paper proposing the write off of bad debts.

As requested at the January 2011 Audit Committee meeting the Head of Financial Services provided an update in relation to progress with implementing the recent Internal Audit recommendations for Overseas Visitors. A slightly different approach has now been agreed in that a draft Overseas Visitors policy will be prepared for review in May 2011. Once the policy is agreed a working group will be established to implement it and ensure engagement across the Trust.

The Committee approved the write off of bad debts with a gross value of £14,275.12.

12. Foundation Trust

(i) Annual Plan Self Certification

The Director of Finance and Information presented the report on the Annual Plan Self Certification process required by Monitor. There are twenty two statements requiring sign off by the Board and the Audit Committee are asked to review statements 7 and 9 from Appendix D3 of the Compliance Framework and self certify against the evidence and assurance listed.

The Committee approved the self certification of statements 7 and 9 from the Monitor Compliance Framework for the Annual Plan.

(ii) Appointment of External Auditor and Terms of Engagement

The Director of Finance and Information presented the report on the Appointment of External Auditor and Terms of Engagement.

The Committee approved the appointment by the Governors of the external auditors and the Terms of Engagement.

(iii) Audit Code

The Director of Finance and Information presented the Monitor Audit Code for NHS Foundation Trusts for information purposes.

13. Integrated Governance

(i) Corporate Risk Register

The Chief Executive reported that a long discussion on the Risk Register had taken place at the last IGAC meeting and asked the Committee whether anything discussed at today's meeting should be added.

The Committee agreed that the title of Risk 1113, Fraud and Corruption should better defined and therefore re-worded. MM/PD

(ii) Minutes of IGAC meeting held on 15th December 2010

These were noted.

The Chief Executive gave the Committee a verbal update on the most recent IGAC meeting on 9th February 2011 for which minutes were issued too late for this Audit Committee meeting. The Committee were informed that, following the Level 2 NHSLA inspection on 25th and 26th January, the Trust had just fallen short of the requirements. However, having been given an extension period in which to remedy this, a Level 2 has now been awarded.

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

The following items were noted:

IGAC:

- Progress with implementing audit recommendations;
- That the timetable for the production of the Annual Report and Accounts has been reviewed and is on track;
- That the Audit Commission's Outpatients Audit has been reviewed.

Trust Board:

- Feedback required in relation to Draft Internal Audit Plan 2011-2014;
- Standing Financial Instructions recommended to the Board (subject to review of version showing changes made);
- Scheme of Delegation approved (subject to the two amendments noted above);
- Self certification of statements 7 and 9 from the Monitor Compliance Framework for the Annual Plan approved;
- Progress with implementing audit recommendations;
- That the Audit Commission's Outpatients Audit has been reviewed;
- That the appointment by the Governors of the external auditors and the Terms of Engagement had been approved.

14. Items for Information / Noting

(i) Schedule for Business 2011/12

The Committee noted that the date of the next Audit Committee meeting was dependent on the timing of the Board meeting to approve the 2010/11 Annual Report and Accounts and would be either May or June 2011.

Ross Tudor advised that the KPMG Interim Audit Report scheduled for May/June 2011 would, in fact, be an Audit Progress Report.

(ii) Chairman and Chief Executive Expenses

There was nothing to report as the expenses for Q3 were reviewed in January. Q4 expenses will be reviewed at the next Audit Committee meeting.

15. Any Other Business

There were no items of Any Other Business.

16. Date and Time of Next Meeting

To be confirmed.