

TRUST BOARD
29th November 2012

TITLE	Draft Minutes of the Audit Committee meeting held on 17 th October 2012.
EXECUTIVE SUMMARY	<p>The attached are draft minutes of the Audit Committee meeting held on 17th October 2012; these will be formally signed off at its next meeting on 23rd January 2013.</p> <p>The Audit Committee wished to bring the following to the attention of the Trust Board: -</p> <ul style="list-style-type: none"> • Flag concerns with process conformance raised by recent internal audit reports (minute 4.1(ii)); • Inform the Board that the Audit Committee have received and approved the 2012/13 External Audit Plan and highlight the key items (minute 6.2); and • Recommend the approval of the Charitable Funds Annual Report and Accounts to 31st March 2012 and the Management Representation Letter subject to the outcome of further discussions with the Board on future governance of the Charity (minute 8.2).
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 aware of.
LEGAL ISSUES	None that aware of.
The Trust Board is asked to:	Receive and note the draft minutes of the Audit Committee meeting held on 17 th October 2012.
Submitted by:	Paul Doyle, Deputy Director of Finance on behalf of Terry Price, Non-Executive Director and Audit Committee Chair.
Date:	21 st November 2012
Decision:	To Receive.

TRUST BOARDDate: 29th November 2012**Title: Draft Minutes of the Audit Committee Meeting held on 17th October 2012**

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

1. Apologies for Absence

Apologies are as listed above.

2. Minutes of Previous Meeting

Minutes of the Meeting held on 18th July 2012

The minutes of the meetings held on 18th July 2012 were approved.

3. Matters Arising – Actions List

The Committee reviewed the Actions List and verbal updates were given as follows:

Meeting date 21/03/12, item number 5.1

The Deputy Director of Finance confirmed that whilst the specific LCFS referral from which this action arose was covered by the Trust's sickness policy, there is no specific policy which covers Trust employees working elsewhere. It was agreed that the Deputy Director of Finance would circulate a note to Committee members confirming the conclusion of this matter.

PD

Meeting date 18/07/12, item number 5.1

The Director of Finance and Information confirmed that the meeting had taken place and had resulted in a number of actions for the individual concerned.

Meeting date 18/07/12, item number 5.3

Carl Watson confirmed that this action was 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 - which confirmed that all audits were on plan, however the Board Assurance Framework audit had been postponed until December 2013 due to the change in the Trust's Head of Corporate Affairs;
- (ii) Summaries of final reports issued for the following completed audits:

- Creditors

This report concluded that there was substantial assurance in this area with one low level recommendation made.

- Budgetary Control and Financial Reporting

This report concluded that there was substantial assurance in this area with one low level recommendation made.

Jim Gollan informed the Committee that this report had been discussed in detail at the Finance Committee meeting earlier that day.

Jim Gollan also asked Parkhill to clarify the standards applied to Internal Audit work (NHS Audit Manual and External Audit requirements) in order to highlight to the Committee the context in which to consider Parkhill's reports.

- CQC Outcome 4 High Level Review

This report concluded that there was limited assurance in this area. In total six recommendations had been made of which four were high level and two were medium level.

The Committee discussed the report's findings versus those of the Care Quality Commission and agreed that the internal audit report should be referred to IGAC for action and that IGAC should report back to the Audit Committee at either the January or March 2013 meeting.

Refer to
IGAC

- Complaints

This report concluded that there was limited assurance in this area. In total eighteen recommendations had been made of which seven were high level, nine were medium level and two were low level.

The Committee agreed that the internal audit report should be referred to IGAC and that an update should be provided at either the January or March 2013 meeting.

Refer to
IGAC

Peter Taylor said that recent internal audits including this one were showing that there were issues with process conformance in several

Refer to
Trust
Board

different areas within the Trust and the Committee agreed that this should be flagged up to the Trust Board as a concern.

- Estates – Capital Projects Review

This report concluded that there was limited assurance in this area. In total ten recommendations had been made of which nine were high level and one was medium level.

The Director of Finance and Information informed the Committee that this report had been discussed in detail at the Finance Committee meeting earlier that day and confirmed that they would be taking it forward.

Dakshita Takodra also drew attention to section 2.7 of the internal audit progress report regarding the Internal Audit Terms of Reference which have now been finalised having been updated with changes agreed at the last Audit Committee meeting.

(iii) A database of progress with implementing internal audit recommendations - the latest position of the 55 recommendations followed up was:

- 38 implemented (of which 24 evidenced so far)
- 8 work in progress
- 8 not yet due; and
- 1 response awaited.

Terry Price informed the Committee that, although not due until 31st March 2013 or later, an update on progress with the recommendations arising from the Review of Consultant Job Planning would be brought to the next Audit Committee meeting.

DT

Dakshita Takodra also informed the Audit Committee that the NHS Internal Audit Manual had recently been updated and that a brief summary of the changes would be brought to the next Committee meeting.

DT

The Committee noted the Internal Audit Progress report.

4.2 Internal Audit Report - IT Audit Needs Assessment

Dakshita Takodra gave a verbal update on progress with agreeing the IT Audit Needs Assessment confirming that it had now been discussed with the Associate Director of Health Informatics and was almost agreed. Terry Price asked that once agreement had been reached it should be circulated to Committee members by email to enable Parkhill to commence their work as quickly as possible.

DT

The Committee noted the verbal update.

4.3 Internal Audit Draft Report – Estates Sterile Services Review

The Deputy Director of Finance presented a draft report from the Trust's former internal auditors Chantrey Vellacott on a review of Sterile Services.

The draft report concluded that there was significant assurance in this area and made three recommendations of which two were medium level and one was low level. Terry Price had already agreed that the recommendations

DT

should be followed up in the usual manner by Parkhill.

The Committee noted the report.

5. Local Counter Fraud Specialist (LCFS)

5.1 LCFS Update Report

Carl Watson presented the update report on progress with counter fraud matters which included the following:

- (i) an update on the Panorama programme on Overseas Visitors and NHS Treatment broadcast by the BBC in October;
- (ii) an update on proactive work; and
- (iii) a summary of five recent referrals.

In relation to (i) above the Director of Finance and Information updated the Committee on the Trust's current management of Overseas Visitors and it was agreed that a paper outlining plans to improve this should be brought to the next Committee meeting.

SM

The Committee noted the report.

5.2 LCFS – Fraud Management Policy

The Committee approved the updated Fraud Management Policy.

5.3 Follow up of LCFS Recommendations

The Deputy Director of Finance presented a report of progress against LCFS recommendations which showed that two recommendations remained but that they would be cleared by the end of December 2012.

The Committee noted the report.

6. External Audit

6.1 External Audit Report – Progress Report

John Lester presented KPMG's External Audit Progress Report which updated the Committee with work performed since the May 2012 Audit Committee meeting and also work planned for the following period. The report also included findings from a review of the Trust's 2011/12 Cost Improvement Plans and also a number of Technical Updates.

It was agreed that the recommendations arising from the Cost Improvement Plans review should be followed up and progress reported to the next Committee meeting in the normal manner.

PD

It was agreed that the Technical Updates relating to the Quality Accounts should be shared with IGAC.

Refer to
IGAC

The Committee noted the report.

6.2 External Audit Report – 2012/13 Audit Plan

John Lester presented KPMG's External Audit Plan 2012/13 highlighting the areas which have been assessed as high risk and for which the audit outcome will be reported back as part of the 2012/13 ISA260 report.

John Lester also drew attention to section four of the report (page eight) relating to the Quality Report and the 2012/13 requirement for the Trust to secure formal assurance from KPMG on the locally selected indicator. As in previous years the opinion on both the content of the Quality Report and the three indicators cannot be more than a limited assurance opinion.

Finally, John Lester highlighted the fee proposal on page eleven which gave two options depending on whether the Trust wanted to involve internal audit in the testing on the mandated and locally selected indicators. The Committee agreed to delegate this decision to the Director of Finance and Information and the Deputy Director of Finance.

SM

The Committee approved the 2012/13 Audit Plan.

6.3 Accounting Policy – Historical Cost Depreciation

The Deputy Director of Finance presented a paper to advise the Committee on a proposed change to the Trust's accounting policy with respect to historic cost depreciation and recommended that the second option of the three outlined in the report be adopted by the Trust.

The Committee approved the recommendation that the Trust adopt Option 2 as its new accounting policy for 2012/13 onwards.

6.4 Follow up of External Audit Recommendations

The Deputy Director of Finance presented a report of progress against External Audit recommendations which showed that five recommendations remained outstanding, three of which had been partially implemented. The remaining two recommendations have now been implemented following the Committee's approval of the change in accounting policy detailed in 6.3 above.

The Committee noted the report.

7. Audit Commission – Payment by Results Data Assurance Framework Follow-Up of Recommendations

The Deputy Director of Finance presented a report of progress against the Audit Commission's Payment by Results Data Assurance Framework audit recommendations which showed that one of the four recommendations remained outstanding. It was noted that the revised timescale for this outstanding recommendation was 31st December 2012 and not 31st December 2010 as reported.

The Committee noted the report.

8. Charitable Funds Annual Report and Accounts to 31st March 2012

8.1 KPMG - Charitable Funds ISA 260

John Lester presented KPMG's 2011/12 Charitable Funds ISA 260 report and highlighted that there were no issues to raise and that subject to final checks

of the revised financial statements and receipt of the representation letter an unqualified audit opinion would be issued.

The Committee approved the report.

8.2 Annual Report and Accounts

Jim Gollan stated that prior to recommending approval of the accounts to the Trust Board he wished to have a Board discussion about the future governance of the Charity and subject to the outcome of this the Committee approved the Charitable Funds Annual Report and Accounts to 31st March 2012.

Refer to Board

8.3 Management Representation Letter

The Committee approved the Management Representation Letter which would now be presented to the Trust Board for approval.

Refer to Board

9. Bad Debt Write Off

The Deputy Director of Finance presented a paper proposing the write off of bad debts.

The Committee approved the write off of bad debts with a gross value of £73,877.61.

10. Losses and Special Payments

The Deputy Director of Finance presented a summary of Losses and Special Payments made during the 6 months to 30th September 2012.

The Committee approved the payments.

11. Integrated Governance

11.1 Corporate Risk Register

The Committee noted the Summary of Corporate Risks as at 18th September 2012.

11.2 Minutes of IGAC meeting held on 20th June 2012

The Committee noted the minutes of the IGAC meeting held on 20th June 2012.

11.3 Items for Information/Recommendations to IGAC and/or Trust Board

The following items were noted:

Trust Board

- Flag concerns with process conformance raised by recent internal audit reports (4.1);
- Inform the Board that the Audit Committee have received and approved the 2012/13 External Audit Plan and highlight the key items (6.2); and

- Recommend the approval of the Charitable Funds Annual Report and Accounts to 31st March 2012 and the Management Representation Letter subject to the outcome of Jim Gollan's further discussions with the Board (8.2).

IGAC

- Share internal audit's CQC Outcome 4 High Level Review (4.1) and ask IGAC to report back to the Audit Committee in January or March 2013;
- Share internal audit's review of Complaints Handling (4.1) and IGAC to report back to the Audit Committee in January or March 2013; and
- Share technical issues relevant to the Quality Accounts as highlighted by KPMG's Progress Report (6.1).

12. Item for Information / Noting

12.1 Schedule of Business 2013

The Committee noted the Schedule of Business 2013 and agreed to bring forward both the Internal Audit Plan Draft 2013/14 to the March 2013 meeting and the Internal Audit Final Plan 2013/14 to the May 2013 meeting.

PD

12.2 Chairman and Chief Executive Expenses

The Committee noted the report covering quarters 1 and 2 2012/13.

13. Any Other Business

None.

14. Date and Time of Next Meeting

Wednesday 23rd January 2013, at 11.00am in Room 2 Chertsey House, St. Peter's Hospital.