

TRUST BOARD
31st July 2014

TITLE	Audit Committee Minutes
EXECUTIVE SUMMARY	<p>The attached are minutes of the Audit Committee meeting held on 21st May 2014.</p> <p>The main points considered were: -</p> <ul style="list-style-type: none"> • Losses & Special Payments – approved the losses for the second half of 2013/14; • Internal audit – reviewed the Head of Internal Audit Opinion which gave significant assurance for 2013/14; • Annual Report and Accounts – reviewed and approved the annual report and accounts prior to Board approval; • Scheme of Delegation & SFI's – approved changes to these documents; and • Annual Report to the Trust Board – reviewed and approved the Committee's annual report to the Trust Board.
BOARD ASSURANCE (Risk) / IMPLICATIONS	The Board is assured by the scrutiny provided by the Audit Committee on matters of risk.
LINK TO STRATEGIC OBJECTIVE / BAF STAKEHOLDER / PATIENT IMPACT AND VIEWS	<p>Audit Committee remit covers all objectives.</p> <p>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.</p>
EQUALITY AND DIVERSITY ISSUES	None that we are aware of.
LEGAL ISSUES	None that we are aware of.
The Trust Board is asked to:	Receive the minutes of the Audit Committee meeting held on 21 st May 2014.
Submitted by:	Terry Price, Non-Executive Director and Audit Committee Chair
Date:	24 th July 2014
Decision:	For Receiving

Minutes of the Audit Committee Meeting held on 21st May 2014

PRESENT:	Mr. Terry Price Mr. Jim Gollan Mr. Clive Goodwin	Non-Executive Director and Committee Chair Non-Executive Director Non-Executive Director
IN ATTENDANCE:	Mr. Paul Doyle Mr. George Roe Ms. Giselle Rothwell Ms. Dakshita Takodra Mr. Paul Grady Mr. John Lester	Deputy Director of Finance Head of Corporate Affairs Head of Communications (agenda item 6.5i) TIAA (Internal Audit) TIAA (Internal Audit) KPMG (External Audit)
SECRETARY:	Mrs. Miriam Bateson	Head of Financial Services
APOLOGIES:	Mr. Simon Marshall Mr. Philip Johnstone Mr. Robin Pritchard Ms. Wendy Jefferies	Director of Finance and Information KPMG (External Audit) Gateway Assure (LCFS) Gateway Assure (LCFS)

1. Introductions and Apologies for Absence

Apologies are as listed above. It had been previously agreed that the attendance of the LCFS at this meeting was not required.

2. Minutes of Previous Meeting

Minutes of the Meeting held on 19th March 2014

The minutes of the meeting held on 19th March 2014 were approved.

3. Matters Arising

3.1 Actions List

The Committee reviewed the Actions List and noted that three items were now complete and two were not yet due.

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 two audits detailed in (ii) below but the Medical Rostering and Locums review was postponed as key leads were unavailable but the final report will be provided at the July Audit Committee. Testing for the mandated quality indicators has been completed. Planning for two 2014/15 audits (Pharmacy and Human Resources) is underway.

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

a) Information Governance

This report concluded with a split assurance opinion: there was substantial assurance over Governance Arrangements and limited assurance over Wider Risk Exposure. In total four recommendations had been made of which three were medium level and one was low level. The Committee agreed that, due to the recommendations all having implementation dates of 31 March 2015, an update on progress should be brought to the October 2014 Committee meeting.

DT

b) Network Management

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

(iii) A database of progress with implementing internal audit recommendations:

- of the 7 recommendations outstanding from 2011/12, 1 has now been evidenced and the latest position of the remaining 6 was:

- 4 implemented; and
- 2 work in progress.

- the 1 remaining recommendation in relation to 2012/13 has been implemented but not yet evidenced.

- the latest position of the 56 recommendations in relation to 2013-14 audits was:

- 1 no longer applicable;
- 10 work in progress;
- 7 not yet due;
- 37 implemented (of which 12 evidenced so far); and
- 1 (rostering) for which an update was outstanding.

The Committee noted the Internal Audit Progress report.

4.2 Internal Audit Annual Report (including Head of Internal Audit Opinion)

Paul Grady presented the Internal Audit Annual Report. This included the Head of Internal Audit Opinion at Appendix A which gave an overall opinion of significant assurance.

The Committee noted the Internal Audit Annual Report

5. Local Counter Fraud Specialist (LCFS)

5.1 LCFS Annual Report

The LCFS Annual Report was for information only.

The Committee noted the report.

6. Annual Report, Accounts and Quality Report 2013/14

6.1 Losses & Special Payments 6 months to 31st March 2014

The Deputy Director of Finance presented a summary of Losses and Special Payments made during the 6 months to 31st March 2014.

It was agreed that future reports would include comparative information for the previous year.

PD

The Committee approved the payments.

6.2 KPMG – Progress Report

John Lester presented KPMG's External Audit Progress Report which updated the Committee with work performed since the March 2014 Audit Committee meeting.

The progress report also detailed the work planned for the following period which included issuing opinions on the financial statements and the Quality Report, both of which were to be covered in more detail in the next agenda items. The report concluded with a number of technical updates.

The Committee noted the report.

6.3 KPMG – ISA260 Audit Highlights Memorandum

John Lester presented KPMG's ISA260 Audit Highlights Memorandum for 2013/14 which confirmed that all prior year recommendations had been implemented and made no new recommendations.

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

Subject to final checks on the approved set of financial statements and annual report, the Board adopting the accounts and receipt of the management letter the intention was to issue an unqualified audit opinion

There were no unadjusted audit differences. However there had been some minor presentational changes required to the accounts mainly in relation to compliance with Monitor's Annual Reporting Manual (ARM).

John Lester thanked the Finance team for their engagement in the annual accounts process.

The Committee noted the report.

6.4 KPMG – Report on Quality Account

John Lester presented KPMG's draft External Assurance on the Quality Report 2013/14. A limited assurance opinion had been achieved on the content of the Quality Report and the two mandated performance indicators.

In relation to the requirement for the Trust to obtain external audit assurance (but not a limited assurance opinion) over the locally selected indicator relating to pressure ulcers, KPMG's overall conclusion is that the Trust would need to make significant improvements to arrangements in order for this

indicator to achieve a limited assurance opinion in the future.

In total five recommendations had been made of which two were medium level and three were low level. The Committee discussed the first recommendation in relation to the original version of the Quality Report not fully complying with Monitor guidance and agreed that in future IGAC should play a more significant role in the Quality Report timetable and process. It was agreed that Terry Price would raise this issue with IGAC at its meeting later today.

TP

The Committee noted the draft report.

6.5 Annual Report and Accounts

(i) Annual Report

The Head of Communications presented the draft 2013/14 Annual Report and noted the comments raised by the Audit Committee on various sections of the report.

The Committee noted the report.

(ii) Quality Account

The Committee noted the report which was due to be presented to IGAC later today.

(iii) Financial Review and Remuneration Report

The Deputy Director of Finance presented the Financial Review and Remuneration Report.

The report included the Trust's 2013/14 Annual Governance Statement which reported two significant internal control issues in relation to the failure of the Trust to meet two targets in quarter four of 2013/14: the four hour waiting time target and the Referral to Treatment Time target. The Committee agreed that more information about how the control issues arose and the agreed action plans should be included in the paragraph above the conclusion.

PD

Subject to the changes to the Annual Governance Statement, the Committee approved the Financial Review & Remuneration Report.

(iv) Annual Accounts

The Deputy Director of Finance presented the Annual Accounts.

The Committee identified three minor changes and, subject to these being corrected, approved the Annual Accounts for recommendation to the Trust Board.

6.6 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.

6.7 Management Representations Letter

The Deputy Director of Finance presented the Management Representations Letters for the financial statements and the quality report which were both in standard format.

The Committee noted the Management Representations Letters and recommended that assurance could be given to the Trust Board to approve them.

7. Regulatory and Governance

7.1 Monitor Code of Governance

The Head of Corporate Affairs presented a report on the Trust's compliance with Monitor's Code of Governance 2013 and confirmed that there were no points of non-compliance.

Terry Price pointed out that the action points noted in A.4.2 and B.4.2 had already taken place and, subject to these amendments, the Committee approved the report.

7.2 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. The Committee agreed that the timing of this review in future years should be changed to July or October.

PD

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

7.3 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 agreed that the timing of this review in future years should be changed to July or October.

PD

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

7.4 Draft Annual Report to the Trust Board

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

The Committee agreed that the report should be amended to include reference to the recommendation that the Quality Report process be overseen by IGAC in future years and, subject to this, the Committee approved the report.

PD

8. Any Other Business

7.1 Private Discussions with Auditors

As private discussions had been held with KPMG and TIAA at points

throughout the year the Committee considered that no separate discussion was required at this time. The Chair of the Committee had recently met with KPMG privately to review the last year.

9. Date and Time of Next Meeting

Wednesday 9th July 2014, at 11.00am in Room 2 Chertsey House, St. Peter's Hospital.