

South Tees Hospitals

NHS Foundation Trust

Meeting / Committee	Board of Directors	Meeting Date	30 July 2013
----------------------------	--------------------	---------------------	--------------

This paper is for	Action/Decision	Assurance	Information X
--------------------------	-----------------	-----------	------------------

Title	Minutes of an audit committee meeting held on 23 May 2013
--------------	---

Purpose	The purpose of this report is to inform Board members of the debate held at a recent audit committee.
----------------	---

Summary	<p>The paper provides information on:</p> <ul style="list-style-type: none"> • Internal Audit work • External Audit work • Local Counter Fraud issues
----------------	--

Prepared by	David Kirby Sally McMaster	Presented by	David Kirby
--------------------	-------------------------------	---------------------	-------------

Recommendation	The Board of Directors is asked to note the attached minutes, which were approved by the audit committee on 18 July 2013.
-----------------------	---

Implications	Legal X	Financial X	Safety & Quality	Strategic	Risk & Assurance X
---------------------	------------	----------------	------------------	-----------	-----------------------

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON THURSDAY 23 MAY 2013
AT 9:30 AM
IN THE BOARD ROOM,
THE JAMES COOK UNIVERSITY HOSPITAL**

PRESENT

- | | |
|--------------|--|
| Mr D Kirby | - non-executive director (committee chair) |
| Mr H Lang | - non-executive director |
| Ms H Wallace | - non-executive director |

IN ATTENDANCE

- | | |
|------------------|---|
| Mrs E Carter | - clinical governance manager (part of meeting) |
| Mr S Fallowfield | - assistant director of audit – Audit North |
| Mr I Fuller | - head of corporate finance |
| Mrs L Ingle | - senior manager - PwC |
| Mrs S McMaster | - senior administration officer |
| Mr C Newton | - director of finance |
| Mr R Sanghera | - senior associate - PwC |
| Mr B Simpson | - financial services manager (part of meeting) |
| Mr J Whitehouse | - director of audit - Audit North |
| Mr P Woolston | - engagement partner - PwC |
| Mrs N Wright | - engagement lead - PwC |

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Ms R James, deputy director of healthcare governance and quality; and Mrs C Parnell, company secretary/executive assistant to the chief executive.

2 MINUTES / NOTES OF PREVIOUS MEETINGS

2.1 Notes of the Annual Accounts briefing held on 9 May 2013

- The notes were agreed and accepted as a true and correct record.

Decision 23May13 No01

2.2 Minutes of the meeting held on 18 April 2013

- The minutes were agreed and accepted as a true and correct record.

3 MATTERS ARISING FROM THE 19 APRIL MEETING, NOT INCLUDED ON AGENDA

3.1 Matters arising

- There were no matters arising.

Decision 23May13 No02

- Noted

3.2 Action Plan

The action plan would be updated to reflect the following decisions:-

Minute Ref	BP Ref	Item	South Tees NHS Foundation Trust Audit Committee Action Point	Lead	Expected date of completion	completed outstanding on agenda next meeting Ongoing
18Apr No07		Draft annual governance statement 2012/13	Ms James agreed to take these queries forward and look at the statement regarding acceptance of residual risks on page 4.	Ruth James	May-13	
18Apr No19		Draft Internal Audit Plan 2013/14	The final version of the report would be brought to the next formal Audit Committee meeting.	Stuart Fallowfield	May-13	
18Apr No22		Counter Fraud Draft Plan & Planning Process 2013/15	The final version of the report would be brought to the next formal Audit Committee meeting.	Stuart Fallowfield	May-13	
19July12 No17		Benefits realisation – e rostering	Mrs Smith would be invited to attend future Audit Committee meetings as appropriate to provide ongoing updates.	Alison Smith	Mar-13	Agreed to invite DoN for 18/07/2013
18Apr No12		Review of whistle blowing arrangements	Mr Fallowfield agreed to bring an update to a future Audit Committee meeting in relation to the Trust's whistle blowing policy.	Stuart Fallowfield	Jul-13	Agreed for 18/07/2013
18Apr No13		Procurement devolved workforce audit	Internal Audit to look to quantify benefit identified as part of their Annual Report in terms of value added.	Stuart Fallowfield	When appropriate	
18Apr No16		Internal Audit progress report to 31 March 2013	IA to take forward the Homecare Companies recommendations with officers to determine removal from outstanding recommendations.	Stuart Fallowfield	Jul-13	Agreed for 18/07/2013
18Apr No21		Counter Fraud Draft Plan & Planning Process 2013/14	The Chairman was keen that in cases where sanctions had been applied these should be publicised within the Trust. Mr Fallowfield agreed to report back further on publicity.	Stuart Fallowfield	When appropriate	Agreed for 18/07/2013
18Apr No23		Director of Finance Report	Research and Development - An update would be brought to a future meeting.	Chris Newton	Sep-13	Agreed for 18/07/2013
17Jan13 No09		Review of Audit Committee effectiveness	A workshop would be arranged for Audit Committee members to Audit Committee effectiveness. The Audit Committee Chairman of Harrogate and District NHS Foundation Trust would be invited to this event along with Ms Nicki Holt, Audit North.	David Kirby	Sep-13	During July to September 2013

Outstanding
Completed
Next meeting
On agenda

Decision 23May13 No03

- Noted

4 **AUDIT COMMITTEE BUSINESS PLAN**

- The audit committee business plan would be updated to reflect discussions and actions completed at the meeting.

Decision 23May13 No04

- Noted

5 **ANNUAL FINANCIAL STATEMENTS**

5.1 **Internal Audit Annual Report 2012/13**

The aim of this report is to detail all internal audit work undertaken by Audit North for year ended 31 March 2013 and place those results into a strategic context.

All work was undertaken in accordance with Government Internal Audit Standards and the Trust's internal audit policy and protocol.

The scope of the Head of Audit opinion covered all the key areas planned for, including any areas that were requested in the year and the operation of the Assurance Framework. Overall it was considered that 'significant assurance' could be assigned to the system of internal control. Mr Fallowfield indicated that the appendix to the report provided further detail to support this opinion. It was also consistent with the detailed reports the Audit Committee had received during 2012/13, and any post year-end work that had been taken into account in providing the opinion.

The Head of Audit opinion is intended to be considered in the preparing of the Annual Governance Statement, presented later on the agenda.

Mr Fallowfield also drew the Audit Committee's attention to the section in the Annual Report 'Commentary on Internal Audit Performance', which highlighted information in support of the Audit Committee's business plan. He also noted the details of key performance measure on effectiveness, client satisfaction and the skills and qualifications of audit staff.

Mr Kirby asked Mr Newton for further comment regarding his view of the performance of Audit North during the year, in terms of the Committee's remit to review the effectiveness of internal audit. Mr Newton indicated he supported the positive assessment set out in their Annual Report.

The committee were requested to receive the report and note the 'significant assurance' opinion and Head of Internal Audit opinion, commenting on the assurance framework and the summary of Internal Audit work for 2012/13. The scope of the opinion covered all the key areas planned for, including any areas that were requested in the year.

All Audit North work is governed by the Government Internal Audit Standards. During the year they had operated processes and procedures in accordance with their Quality Manual, to maintain compliance with these standards.

Mr Kirby thanked Mr Fallowfield for his work throughout the year.

Decision 23May13 No05

- The committee received and noted the content of the annual report.

- The Committee agreed that the report demonstrated internal audit effectiveness.

5.2 Annual Governance Statement 2012/13

This report had been prepared to provide the Committee with final version of the Annual Governance Statement prior to inclusion in the 2012/13 Annual Report.

The conclusion of the statement was that:

- The trust had not identified any significant control issues for the financial year ending 31 March 2013, which required reporting within the statement.
- South Tees Hospitals NHS Foundation Trust had a generally sound system of internal control that supported the achievement of its policies, aims and objectives.

The Committee was asked confirm its support for the Board approval of the Annual Governance Statement for 2012/13.

Decision 23May13 No06

- The Committee confirmed its support for the Board approval of the Annual Governance Statement for 2012/13.

5.3 ISA260 – Audit Completion Report 2012/13

This report was presented to report PwC's significant findings from their audit for 2012/13, together with those matters which auditing standards required they to report to the audit committee as "those charged with governance" of the Trust.

Key issues for consideration in the report included:-

- The proposed audit opinion
- The work performed and findings to address the significant audit risks
- The key audit findings
- The proposed audit adjustments
- The control weaknesses and recommendations identified

Following discussion over the possible amendments to the accounts, scheduled in the report, it was agreed that no adjustment to the accounting statements was required.

Mrs Wright confirmed that this would have no bearing on the issue of an unqualified audit opinion.

It was agreed that Research and Development Funds would be included on the table showing identified misstatements; again, no adjustment would be necessary.

Mr Fuller stated that the 2012/13 annual accounts work had gone very smoothly. He took the opportunity to thank Brian Simpson and his team and also PwC colleagues for their contribution.

The Audit Committee were recommended to note the content of the report.

Decision 23May13 No07

- Noted

5.4 Quality Report findings

Mrs Wright and Mr Sanghera jointly presented this report which provided a summary of audit work on the Quality Report of the Trust for the year ended 31 March 2013.

NHS foundation trusts are required to prepare and publish a Quality Report each year. The Quality report has to be prepared in accordance with the NHS foundation trust Annual Reporting Manual ('the FT ARM').

The report covered the following areas:-

- The scope of PwC's work
- Content of the Quality Report
- Performance indicators, and
- Performance indicator not included within PwC's limited assurance report.

Mr Woolston confirmed that this report would be finalised during the following week and would be signed off as part of the annual accounts process.

The committee were asked to note the findings of the report.

Decision 23May13 No08

- Noted

5.5 Going Concern

Mr Fuller had prepared this paper to allow members to review and comment upon the content of the statement of going concern for 2012/13, prior to submission to the Board of Directors.

The accounts had been prepared on a going concern basis and this was appropriate for the accounts to be prepared on this basis as the trust is a going concern. There were no significant doubts about the trust's ability to continue as a going concern that required disclosure.

The Audit Committee were asked to agree the statement and recommended its adoption by the Board of Directors on 28 May 2013.

Decision 23May13 No09

- The Audit Committee noted the issues raised agreed the statement and recommended its adoption by the Board of Directors on 28 May 2013.

5.6 **Review of Annual Financial Statements including full set of accounts – 1 April 2012 to 31 March 2013**

Mr Fuller presented this report to inform members of the position, in relation to the review of annual financial statements. The annual accounts statements for the period 1 April 2012 to 31 March 2013 were attached for consideration.

Mr Simpson confirmed that the statements remained largely unchanged, since they were presented to members for discussion at the annual accounts briefing session on 9 May 2013.

Members were requested to note the current position in relation to the annual financial statement and to recommend them for adoption by the Board on 28 May 2013.

Decision 23May13 No010

- Members noted the current position in relation to review of the annual financial statements, and agreed to recommend the Board to adopt the annual accounts statements for the period 1 April 2012 to 31 March 2013.

6 **AUDIT NORTH**

6.1 **Internal Audit progress to 30 April 2013**

Mr Fallowfield confirmed that the Internal Audit Annual Plan had been presented at a formal management group meeting on 7 May 2013. The FMG had noted and supported the contents of the draft internal plan and approach for 2013/14.

Mr Fallowfield had not produced a report on this occasion, as there were no further significant issues to report.

Decision 23May13 No011

- Noted

7 **LOCAL COUNTER FRAUD**

7.1 **Annual Counter Fraud Plan 2012/13**

Mr Whitehouse had prepared this report to advise the committee of the Draft Annual Counter Fraud Plan for 2013/14.

The draft Counter Fraud Plan aimed to deliver a balanced range of activity including strategic work, nationally mandated proactive work and local proactive work determined by a local organisational level risk assessment using the Trust's own 5x5 risk management process. It also included a nominal allocation of days for preliminary investigation of referrals.

Although the proactive areas had been identified within the plan there was scope to tailor the specified work schedules following further engagement with management. This would enable the work to be calibrated to the level of risk assessed and targeted to the areas of concern.

The plan remained flexible in order to address any emerging issues in year including any additional direction from NHS Protect.

The Audit Committee were requested to approve the draft plan, subject to minor changes being made.

Any further changes to the plan would be reflected through routine reports.

In response to Mr Lang, Mr Whitehouse confirmed that any substantive investigations would be commissioned in addition to the plan and paid for at the same daily rate.

Consideration would be given in the first instance to offset these against other work in the plan by agreement with the Director of Finance, Audit Committee Chair and the Audit Committee.

Decision 23May13 No012

- The Audit Committee approved the draft plan.

7.2 Counter Fraud Annual Report 2012/13

Mr Whitehouse had prepared this report to present the committee with the Counter Fraud Annual Report for 2012/13.

The Annual Report detailed all Local Counter Fraud Service work, proactive and reactive, undertaken by Audit North for the year ended 31 March 2013. It outlined work completed at the Trust during 2012/13 in line with NHS Protects Strategy, in that there was a strategic approach which was designed to:

- inform and involve stakeholders,
- prevent and deter fraud,
- hold to account (where appropriate).

Section 2 of the report showed a summary of counter fraud work undertaken during the financial year April 2012 to March 2013.

Eleven Referrals had been received within the year. Four had resulted in no action and six were referred to HR for consideration. One remains under investigation. At this stage there were no frauds from 2012/13 being pursued criminally.

Section 2.6 noted benchmarking data showing comparative results from NHS Protect for 2012/13 and Audit North for 2011/12 and 2012/13.

Mr Kirby stated that this was a very helpful report and noted the close working relationship with Human Resources (HR) colleagues. He also asked for the Committee to be updated with the outcomes of those referrals where counter fraud had not pursued the referral, but this had been passed back to HR.

The committee were asked to note the contents of the report.

Decision 23May13 No013

- The Committee would be updated with the outcomes of those referrals where counter fraud had not pursued the referral, but this had been passed back to HR.
- Noted

8 DRAFT QUALITY ACCOUNT 2012/13

Mrs Carter presented this report to provide assurance to the Audit Committee that the 2012/13 Quality Accounts had been prepared in accordance with relevant requirements and guidance issued by the Department of Health and Monitor.

This report described the process for developing the quality account and the changes that had been made to the Account following consideration at Integrated Governance Committee and Audit Committee, the report included the latest version of the draft Quality Account.

Feedback from commissioners and the Middlesbrough Overview and Scrutiny Committee was still awaited.

The Committee was asked to receive the report and comment on the adequacy of the process of developing the Account and the content.

Mr Kirby requested clarity in relation to the reporting periods for the 'performance against key national priorities' percentages which were included at pages 54 and 55 of the report.

Decision 23May13 No014

- The Committee confirmed its support for the Board approval of the Quality Account for 2012/13, subject to confirmation of the reporting periods for the 'performance against key national priorities' percentages which were included at pages 54 and 55 of the report.

9 AUDIT COMMITTEE ANNUAL REPORT 2012/13

The purpose of this report was to highlight to Audit Committee members the final draft of the annual report for 2012/13 in preparation for this being submitted to the Board of Directors.

The report covered the activity of the audit committee for the 2012/13 financial year. It was intended to provide assurance to the Board on the level of adherence to the agreed terms of reference, and to summarise the work undertaken as an independent sub-committee of the Board. This annual report to the Board followed the recommendations of the NHS Audit Committee Handbook 2011.

The committee were requested to approve the draft of the annual report and to highlight any outstanding points in the report.

Decision 23May13 No015

- The Audit Committee approved the draft of the annual report which would be presented to the Board of Directors on 28 May 2013.

10 ANY OTHER BUSINESS

- There was no further business to report

11 NEXT MEETING

- Thursday 18 July 2013
9:30 am
Board Room, Murray Building