

South Tees Hospitals 
 NHS Foundation Trust

Meeting / Committee	Board of Directors	Meeting Date	29 April 2014
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This paper is for	Action/Decision	Assurance	Information X
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Title	Minutes of an Audit Committee meeting held on 16 January 2014
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Purpose	The purpose of this report is to inform Board members of the debate held at a recent audit committee.
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Summary	<ul style="list-style-type: none"> • Internal Audit work • External Audit work • Local Counter Fraud issues
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Prepared by	David Kirby Sally McMaster	Presented by	David Kirby
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Recommendation	The Board of Directors is asked to note the attached minutes, which were approved by the audit committee on 24 April 2014.
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Implications	Legal X	Financial X	Safety & Quality	Strategic	Risk & Assurance X
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**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON THURSDAY 16 JANUARY 2014
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

- Ms D Jenkins - Trust Chairman (observer - part of meeting)
- Mrs S Donoghue - Divisional Manager for Surgery (part of meeting)
- Mr S Fallowfield - Assistant Director of Audit - Audit North
- Mr C Harrison - Director of Human Resources
- Ms R James - Deputy Director Quality Assurance (part of meeting)
- Mrs S McMaster - Senior Administration Officer
- Mr C Newton - Director of Finance
- Mrs C Parnell - Company Secretary/ Executive Assistant to the Chief Executive
- Dr K Prasad - Chief of Service for Pathology (part of meeting)
- Mr B Simpson - Financial Services Manager
- Mrs N Wright - Engagement Lead - PwC

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Miss K Douglas, Senior Manager – PwC and Mr J Whitehouse, Director Of Audit – Audit North

2 MINUTES OF THE MEETING HELD ON 28 NOVEMBER 2013

Decision 16Jan14 No01

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

3 MATTERS ARISING FROM THE 28 NOVEMBER 2013 MEETING, NOT INCLUDED ON THE AGENDA

3.1 Matters arising

- There were no matters arising.

Decision 16Jan14 No02

- Noted

3.2 Action Plan

Mr Simpson tabled a paper which summarised the current status in relation to outstanding external audit recommendations (*Action April13No09*).

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

Minute Ref	South Tees NHS Foundation Trust Audit Committee Action Point	Lead	Expected date of completion	completed outstanding on agenda next meeting Ongoing
28Nov13 No06	A revised report would be issued to reflect the changes identified.	Nicola Wright	Jan-14	Revised plan circulated to members on 5/12/13
18Apr13 No09	Mr Newton agreed to bring a status update to the September meeting in relation to medium and high rated recommendations.	Chris Newton	Sep-13	Agenda Item 3
28Nov13 No10	The Chairman wished to see a report at the next meeting, which would address the outstanding issues around Committee ToR 13.1.2 and the implications for ToR 13.2.	Chris Newton	Jan-14	Agenda Item 4.2
28Nov13 No11	Mr Fallowfield would provide an update in relation to the PAO and would endeavour to bring this to the next meeting.	Stuart Fallowfield	Jan-14	Agenda Item 5.1
28Nov13 No08	Mr Fallowfield agreed to bring to the committee at its next meeting the protocols / procedures established between those charged with governance and management to keep the audit committee informed of instances of fraud, either actual, suspected or alleged.	Stuart Fallowfield	Jan-14	Agenda Item 6.1
28Nov13 No13	Mr Fuller would coordinate a review of processes and procedures within the finance department in relation to business continuity and in particular around authorisation and accountability processes.	Iain Fuller	Jan-14	Finance Department Briefing Note issued on 29/11/13

Outstanding
Completed
Next meeting
On agenda

Decision 16Jan14 No03

- Noted

4 AUDIT COMMITTEE BUSINESS PLAN

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

4.1 Review of Audit Committee Terms of Reference / Workshop

Ms James had prepared this report is to act as a discussion paper prior to arranging the workshop to review Audit Committee effectiveness.

The report reviewed the terms of reference for the Audit Committee comparing these to the requirements set out in the Audit Committee Handbook 2011. The report described:

- the impact of the recent changes in internal and external governance, regulatory matters and any best practice on the role of the Audit Committee.
- the processes by which the Committee discharges its duties and considers the mechanisms for assessing the effectiveness of the Committee in carrying out its role.

The report concluded with some questions which will form the basis of a workshop the outcome of which would be used to inform the review the Committee's ToR and business plan for 2014/15.

Appendices were attached for information purposes:

- Appendix 1 -Comparison of the Audit Committee's TOR with the Audit Committee handbook requirements.
- Appendix 2- How the terms of reference of the groups within the committee structure link to the duties of the Audit Committee (presented to the Audit Committee in January 2012).

The Committee were asked to comment on the issues identified in the report and the suggested agenda for the workshop.

A wide ranging discussion took place regarding:-

- The purpose of the Audit Committee
- The various changes in the internal and external environment that need to be addressed.
- Improving the assessment of the Committee's effectiveness.
- The best use of Audit Committee members / attendees time.

Decision 16Jan14 No04

- The Committee agreed that the issues identified in the report and suggestions made should form the agenda for the workshop.

4.2 Controls and processes around budgetary spend and the CIP programme

The Chairman stated that this report had been prepared by Val Winders (acting head of financial planning and performance), following discussion at the last meeting. This was in the light of the Trust being behind on its financial plan and in order to address the outstanding issues around Audit Committee ToR 13.1.2 and the implications for ToR 13.2 (Governance, risk management and internal control).

Key issues for consideration within the report were:-

- Controls and processes around budgetary spend at divisional level
- Project Assurance Office Audit
- Job Roles & Financial Accountabilities

The Audit Committee were asked to note the contents of the report.

Members noted that the PAO office Audit was not yet completed and therefore agreed that consideration of CIP controls would await completion of that audit.

A range of matters were discussed and the committee found the contribution of Mrs Donoghue and Dr Prasad helpful in understanding the practicalities of budget setting, management, control, clinical engagement in the process and variation in the financial understanding of such matters from a divisional manager and chief of service perspective.

Matters discussed included:

- Earlier resolution of final income budgets (Mr Newton explained that for 2014/15 the move to within a single directorate of the financial elements and activity levels for commissioning would result in budgets being settled earlier and therefore facilitating earlier identification of any potential budget pressures.
- In terms of improved financial understanding and accountability, it was considered the move to centre management would assist this. Members considered the revised job descriptions in the report and made clear that their wish was that financial accountability should be unequivocal. Mr Harrison confirmed that this was the intention. Members raised the issue of training and development, so to ensure appropriate financial training was available to managers / clinicians.
- In terms of improving forecasting methodologies to enable earlier action, it was identified that the introduction of PLICS had shown a benefit and the extension and use of this tool Trust wide would aid knowledge of costs, improve budget management and facilitate earlier action to address potential budget pressures.

It was agreed that the Committee would draw its final conclusions on this item after considering the PAO audit report, in order to have a clearer picture of the issues of control.

Decision 16Jan14 No05

- The Committee would draw its final conclusions on this item after considering the PAO audit report, in order to have a clearer picture of the issues of control.
- Noted

5 AUDIT NORTH

5.1 Internal Audit progress report to 31 October 2013

Mr Fallowfield presented this report, which had been prepared to present progress of internal audit work up to and including 31 December 2013, in accordance with the internal audit plan 2013/14.

The report summarised work completed during the period since the last Audit Committee. There had been three outputs, comprising two significant assurance reports, and one data analysis review, which did not require a formal assurance opinion.

There had been a continued increase in the level of outstanding medium grade recommendations. As at 31 December 2013 Audit North were reporting 31 such recommendations as being outstanding and overdue.

Management had requested extension dates for three recommendations, contained within the following reports:

- Data Validation Self certification / CQUIN ref. 25/13,
- Recruitment checks and staff records, ref. 30/13,
- Ordering and Accounts Payable, ref. 14/13.

Further status updates were provided within the paper on one of the five outstanding high grade recommendations, despite a number of requests and reminders to Trust officers.

Meetings had taken place with the Head of IT and the IM&T Section of the plan had been revised to reflect operational changes within the Trust. Approval was sought for these changes. The Audit Committee were requested to:

- Note the contents of the progress report.
- Approve the proposed change to the internal audit plan.
- Approve the extension request for two recommendations.

The Audit Committee had not previously monitored medium or low graded recommendations in the same detailed way as for high graded recommendations. Following discussion Members agreed that high grade recommendations in excess of one year should be re assessed by the owner as to how the risk was being addressed pending implementation. In the case of the medium grade recommendations the Company Secretary would raise non implementation with the owners of recommendations in excess of one year.

Decision 16Jan14 No06

- Members noted the content of the report and progress to date.

Decision 16Jan14 No07

- The proposed change to the internal audit plan was approved.

Decision 16Jan14 No08

- Members agreed to the extension of deadlines for the proposed recommendations.

Decision 16Jan14 No09

- Members agreed that high grade recommendations in excess of one year should be re assessed by the owner.

Decision 16Jan14 No010

- In the case of the medium grade recommendations the Company Secretary would raise non implementation with the owners of recommendations in excess of one year.

6 LOCAL COUNTER FRAUD

6.1 Counter Fraud update for the period September 2013 to November 2013

Mr Fallowfield presented this report to inform the committee of Counter Fraud activity for the period September 2013 to December 2013.

This report included:

- An assessment of progress by the Trust towards demonstrating compliance with the Bribery and Corruption Act 2010.

- Feedback on the latest training event undertaken in conjunction with the Home Office/ UK Borders Agency.
- An update on actions to ensure awareness regarding the prevention of bank mandate fraud.
- An update on new and existing referrals, sanctions and redress.

The committee was asked to note the update and advise upon specific actions required

Members noted the proposed revision to the Anti-Fraud Policy that addressed the issues raised by PwC at the last meeting.

Decision 16Jan14 No011

- Noted

7 PRICEWATERHOUSECOOPERS - EXTERNAL AUDIT UPDATE REPORT

The purpose of this report was to update the members on the audit work performed since the last Audit Committee meeting.

Audit procedures undertaken included the following:

- Initial audit debrief meetings with relevant trust finance colleagues, followed by a discussion on what worked well and what could be improved for the 2013/14 final audit;
- the engagement letter for the external audit of the Trust was drafted;
- Aura client file for the Trust created;
- Completion of an Acceptance and Continuance assessment for the Trust, to determine whether as a firm PwC can proceed with the external audit engagement of the Trust;
- Completion of Charitable Fund accounts work for 2012/13.

The Audit Committee were requested to note that PwC had ensured consistency of audit team members through the booking of two key members of field staff who worked on the Trust audit in 2012/13, as well as through the Manager and Director.

- Brian Simpson and Emma Woodward had been invited to PwC's annual NHS technical update training session for clients, to be held on 13 February 2014.

Details of the following sector developments were included in the report for the attention of the Audit Committee:-

- NHS Foundation Trust Annual Reporting Manual 2013/14 (published by Monitor on 13 December 2013).
- Monitor and NHS England publish new rules for the 2014/15 NHS payment system (published by Monitor and NHS England on 17 December 2013).
- Monitor had updated the NHS Foundation Trust Code of Governance.

The Audit Committee were requested to note the contents of the report.

The Chairman asked for PwC to liaise with the Company Secretary regarding presentation of the 2012/13 accounts to the March Council of Governors meeting.

Decision 16Jan14 No012

- Noted

8 ADOPTION OF CHARITABLE FUNDS ANNUAL REPORT AND ACCOUNTS 2012/13

8.1 Charitable funds annual report and accounts 2012/13

The annual report and accounts 2012/13 were presented to the audit committee for approval and would be required to be filed with the Charity Commission by 31 January 2014.

The charitable funds annual accounts 2012/13 reported incoming resources of £1.9 million, resources expended of £2.2 million, resulting in fund balances carried forward at 31 March 2013 of £7.0 million.

A Prior Period Adjustment (PPA) relating to funding received for research and development and amounting to £1.4 million had been included in these accounts and had restated the position at 1 April 2011.

The audit opinion was to be issued within the governance report from PricewaterhouseCoopers LLP with the signed certificate, to be included within the accounts, following adoption by the Charity's trustees.

The audit committee were requested to receive and approve the charitable funds annual report and accounts 2012/13.

Decision 16Jan14 No013

- The audit committee were received and approved the charitable funds annual report and accounts 2012/13.

8.2 South Tees Hospitals General Charitable Fund – ISA 260 Report

The purpose of this report was to update the members of the Audit Committee on the progress of the audit and of any significant matters that had arisen during the course of our work.

Subject to the satisfactory resolution of the small number of outstanding matters, PwC expected to issue an unqualified audit opinion for the Charity.

There were no significant matters arising from the audit which needed to be reported to Audit Committee members.

The audit committee were requested to note the contents of the report.

Decision 16Jan14 No014

- Noted

9 ANY OTHER BUSINESS

9.1 Exam successes

Mr Newton was pleased to inform the audit committee that three members of the finance department (Martin Aspery, Aimee Watts and Gemma Winders), had recently achieved successful results following completion of various levels of CIMA's (Chartered Institute of Management Accountants) professional exams (including relevant work experience)

Members asked that the Committee's congratulations be passed on to the successful candidates.

There was no further business to report.

Decision 16Jan14 No015

- Noted

10 NEXT MEETING

Thursday 20 March 2014
9:30 am
Board Room, The Murray Building