

# Audit Committee Meeting

Minutes from a meeting held on Tuesday 5<sup>th</sup> June 2007 at 4.00pm,  
in the Committee Room

## **Present**

Mr Richard Strang  
Professor Sir Andrew Likierman  
Ms Emma Satyamurti

## **In attendance**

Mr Simon Young  
Ms Janine Combrinck  
Mr Leigh Lloyd-Thomas  
Ms Deborah Cripps (items 1, 2, 3, 4, and 6)  
Mr Jonathan McKee, Trust Secretary

## **1. Chair's opening remarks**

The Chairman welcomed everyone to the meeting. The Chairman announced that after consultation with interested parties, the draft terms of reference were now acceptable to him, and these would be discussed at the next meeting once they have been formally set by the Board of Directors. The Chairman reported that he had met with the Chairs of the Risk Management and Clinical Governance Committees to discuss and explore the working relationship between the three committees, particularly in relation to the Audit Committee's role to process quality assurance. The Chairman also highlighted a forthcoming discussion (September) on the Audit Committee's self-assessment of its work. A questionnaire had already been completed in draft by the Director of Finance, the Trust Secretary, and himself, and this would be undertaken hereafter annually in April. The Chairman also highlighted that the Trust would be in a position to consider a draft schedule of tasks for the Audit Committee in September.

## **2. Apologies for absence**

None.

### **3. Minutes of the previous meeting**

#### ***Item 8. Update on recommendations from Auditors and progress on action points***

“Impossible” should read “no longer feasible”

#### ***Item 10. Debtors***

“Previous year” should read “that the business debt provision was reasonable at the year end”.

Following these changes the minutes were agreed.

### **4. Matters Arising**

An update of work in hand and work completed was circulated and progress noted.

### **5. Reports from External Auditors & 7 Annual Accounts (agenda items merged)**

The Committee noted the new title for this work was “Report of the auditor to those charged with governance”. However, the Audit Committee is not charged with governance; that is the responsibility of the Board of Directors. This new title has been imposed to conform with new international conventions.

External Audit reported that the audit on the year-end activity had been robust. One material adjustment had been made (to reduce the indexation on fixed assets); this was a technical change not an accounting error. Other minor issues had been identified and amended as suggested, in some cases, no action was required as the effect would not be material. The cumulative summary of potential risk is not material.

The accounts had been complicated by having to produce two sets, that is, for the first seven and last five months. However, both sets of accounts were approved.

There had been little change since 2006/7 in the accounting policies and practices, except in fixed asset indexation. No re-statements were required.

The trust needs to commission a fixed asset valuation in the Autumn, and this will be discussed at the September meeting.

- SY**                    ➤ Simon Young to bring proposals to the Committee in September

Simon Young tabled papers with the agreed amendments to financial figures for consideration.

The agreement of balances exercise with other NHS organisations had been significantly more successful this year; there were fewer contested invoices, and that those invoices had been for smaller amounts. Nevertheless, Simon Young will continue to chase bad debt. Clearly the management of debt is a priority for the Trust.

- SY**                    ➤ Simon Young to liaise with the Director of Performance and Development to consider amending the risk register to reflect bad debtor risk.

The Statement of Internal Control was considered in its final version. As this statement is to be signed by the Chief Executive, from next year, the Chief Executive will be invited to the meeting. Simon Young explained that the statement is collated using Monitor's headings, and text from previous statements, which were updated in consultation with the Chief Executive and the Director of Performance and Development. The Audit Committee agreed that in their opinion, the Chief Executive could sign the statement.

Thanks were given by the external auditors and the Audit Committee to Simon Young and his team for his help with the audit, especially in the light of the reduced deadlines.

### ***Annual Report***

Richard Strang favoured producing one Annual Report with the finance and remuneration Reports split into the two separate years. Clearly two separate accounts would have to be prepared.

- AC**                    ➤ Members of the Committee to consider the commentary, and forward any amendments to Jonathan McKee.

However, it was noted that the requirement from Parliament to produce a particular report was not negotiable, and the Trust would need to comply with the rules.

The Committee noted that the *going concern* statement seemed rather peculiar, and there was no precedence for this. However, this was a requirement from Monitor, and it had to be included.

## **6. Reports from Internal Auditors**

### **6a) Internal Audit Progress Report**

There were some inconsistencies in the score in Section 5.2., which were noted.

- DC**                    ➤ Deborah Cripps to correct

### **6b) Annual Report**

It was the opinion of the auditor that a significant assurance could be given.

The Committee did not accept the suggestion that the Board of Directors needed terms of reference. Monitor's Terms of Authorisation clearly established the role of the Board of Directors in discharging all powers of the Trust.

Contrary to the assertion in the report that signed declarations are not available, the Register of Interests is held by the Trust Secretary (who was not consulted) and documentation is available for inspection upon request.

Whilst the Trust does track recommendations effectively, there remained a question as to whether this system was adequate, as it was not formal and not documented.

- SY**                    ➤ Simon Young to review.

The Trust does have a communications strategy, contrary to the assertion in the report.

- DC**                    ➤ Deborah Cripps to update the report.

### **6c) Capital Projects**

Substantial assurance had been given and the recommendations for improvement had been accepted by management. The first recommendation was that documented procedures should be introduced to provide a framework for the controlled assessment of risk for capital projects; and any risks should be documented on the corporate risk register.

- SY**                    ➤ Simon Young to bring to the attention of the Director of Performance and Development when the assessment had been completed

### **6d) Standards for Better Health**

The recommendations had been made and these had been accepted

by management. The Committee were concerned that this report should have been considered by the Board of Directors prior to their signing off the Standards for Better Health, and presenting at this point served little purpose.

- Jonathan McKee to add Standards for Better Health to the Committee schedule.

It was noted that the Management Committee had no formal terms of reference. However, this matter was currently being examined by the Chief Executive. The auditors found that minutes did not make specific mention of Standards for Better Health. However, Jonathan McKee pointed out that the Board of Directors did discuss Standards for Better Health at every single meeting, although specific reference to the umbrella term *Standards for Better Health* was not necessarily indicated as the Board of Directors considered individual standards under other items and headings. Likewise, the Assurance Framework also included relevant issues relating to Standards for Health, although again it might not necessarily use this umbrella term.

- Jonathan McKee and the Director of Performance and Development to discuss the assurance process.

## **6e) Performance Management**

It was noted that in the previous report auditors had found only one item meriting attention, whilst the current report had three items merited attention. However, the auditors felt that this was not a significant change, and they had still given the trust substantial assurance.

## **6f) Strategy for Internal Audit**

The 2007/08 plan has been agreed. The first four areas mentioned are mandatory. The rest are agreed with the Trust.

External audit felt that the approach was coherent and consistent with their expectations and requirements. Some key factors are not addressed, these are those outside the Trust's control. Some inclusions are not risks, but nevertheless merit attention.

The Committee sought assurance that the Finance Department was adequately staffed. Simon Young reported that he was developing proposals to meet the challenges, and these would be presented in due course. External audit noted that they had not identified any significant weaknesses in the Finance Department team in 2007/8.

The Committee sought assurance that the focus of this work was sufficient in order to give them the assurance that the Trust could rely

on the findings therein, as the Trust had little room for error. In the plan, budgetary controls would be covered by the key financial controls audit, not as a separate review in 2006/7.

- Richard Strang to consider whether this is sufficient.

## **8 Local Counter Fraud Specialist**

Simon Young tabled a paper that included the 2007/08 plan.

As the plan had only just been finalised the trust and LCFS had agreed to defer consideration of the report to the September meeting. However, the committee noted the scores for the compound indicators. The LCFS will report these results to the Counter Fraud and Security Management Service (39/50 for 'strategic areas' and 98/250 for 'generic areas' of action).

The Committee noted that the scoring system was perverse in that it appeared that the Trust was performing poorly, whereas in fact as very little counter-fraud investigation was required, and it was this that had generated the low score. This issue had been raised by our LCFS with CFSMS.

## **7. Risk Management Committee**

The minutes and the dates of future meetings were noted.

## **8. Clinical Governance Committee**

The minutes and the dates of future meetings were noted.

## **9. Notice of future Audit Committee meetings**

These were noted.

## **10. Any other business**

Members were invited to forward any items for discussion to Jonathan McKee, as he and Richard Strang would be discussing the agenda in the summer.

The meeting finished at 6:30pm. Date of next meeting: 4pm, Monday 10<sup>th</sup> September

## Outstanding Action

<b>Due Date/ or report back by</b>	<b>Agenda Item</b>	<b>Action Required</b>	<b>Director / Manager</b>	<b>Originating meeting &amp; notes</b>
10 <sup>th</sup> September 2007	Item 5. Reports from External Auditors	Simon Young to bring proposals for fixed asset evaluation to the Audit Committee in September	Simon Young	June 2007
10 <sup>th</sup> September 2007	Item 5. Reports from External Auditors	Simon Young to liaise with the Director of Performance & Development to amend the risk register to note the management of debt.	Simon Young	June 2007
10 <sup>th</sup> September 2007	Item 5. Reports from External Auditors <i>Annual Report</i>	Members of the Committee to consider the commentary and forward any amendments to Jonathan McKee	Audit Committee	June 2007
10 <sup>th</sup> September 2007	Item 6a. Internal Audit Progress Report	Deborah Cripps to correct inconsistencies in the score in Section 5.2	Deborah Cripps	June 2007
10 <sup>th</sup> September 2007	Item 6b. Annual Report	Simon Young to review tracking of audit recommendations	Simon Young	June 2007
10 <sup>th</sup> September 2007	Item 6b. Annual Report	Deborah Cripps to update the Annual Report to note that the Trust does have a communications strategy	Deborah Cripps	June 2007
10 <sup>th</sup> September 2007	Item 6c. Capital Projects	Simon Young to bring to the attention of the Director of Performance and Development when the assessment had been	Simon Young	June 2007

		completed		
10 <sup>th</sup> September 2007	Item 6d. Standards for Better Health	Jonathan McKee to add Standards for Better Health to the Committee schedule	Jonathan McKee	June 2007
10 <sup>th</sup> September 2007	Item 6d. Standards for Better Health	Jonathan Mckee and the Director of Performance and Development to discuss the assurance process	Jonathan McKee	June 2007
10 <sup>th</sup> September 2007	Item 6f. Strategy for Internal Audit	Richard Strang to consider the budgeting controls	Richard Strang	June 2007
10 <sup>th</sup> September 2007	Item 6f. Strategy for Internal Audit	Internal audit to look at key financial controls	Bentley Jennison	June 2007