
Trust Board meeting 31 March 2011

Briefing from Audit Committee: 10 March 2011

Presented by Sarah Connor, NED, Committee Chair

1. Purpose

This paper summarises the discussions of the Audit Committee on 10 March 2011. Full minutes will be presented at the May Board for information only.

2. Content

Jan Filochowski, Chief Executive Officer joined the meeting for a number of agenda items, including Internal Audit Plan 2011/12 and Statement of Internal Control (SIC).

2.1 Counter Fraud Progress Report

January to March work consisted of 9 days: issuing fraud notices, review of some Trust policies, pro-active exercises (ongoing review of patient transport services, review of tender process & mileage claims), a fraud risk assessment based on a RSM Tenon mapping tool focussing on 5 fraud risk areas; support with Bribery Act policies; and 3 days progressing 1 (of 3) referral (relating to staff working elsewhere during contracted hours). We have agreed to add unresolved LCFS cases and recommendations to our review of outstanding audit actions.

2.2 Counter Fraud Annual Plan 2011/12

The workplan, recognising financial pressures, contains a reduction of 3 days' pro-active work, to 55 days (re-active time is incurred and billed on top as required). RSM Tenon advised that this reflects some savings from their learning, and some reduced time for re-performing work rather than doing it from scratch. They also confirmed that all recommendations made in the Qualitative Assessment report have been addressed in this workplan. We approved the plan and fees, and also agreed that we will in future receive 3 reports each year (not 5), with an alert in between of anything important (if necessary).

2.3 Counter-fraud Policy Approved

2.4 Anti-Bribery Act Policy

Approved, pending agreement of Senior Compliance Officer and obtaining legal opinion. This required amendments to certain other policies, which were approved, and a new Commercial Sponsorship & Advertising Policy, also approved and agreed that Audit Committee would review compliance with both new policies annually.

2.5 Integrated Risk & Governance Committee

Audit Committee was updated on the earlier IRGC meeting. A committee member enquired whether some big areas of forthcoming risk (eg service delivery) are discussed at IRGC – it was confirmed they are, and also in other committees, from where they are escalated to IRGC.

2.6 Board's Assurance Framework (BAF)

The BAF had been updated and some risks scores have increased (C Diff., NHSLA and Delayed Discharges). The committee discussed these and was assured that these new ratings were an accurate reflection of the level of risk. The Maternity risk is to be noted as a quality rather than a finance risk. Audit Committee is content that the Risk processes are functioning satisfactorily.

2.7 CQC Assurance Report

Audit Committee was updated on CQC registration. There has still been no reply from CQC about Estates (outcome 10). The reports and responses from the CQC visits to HHH and WGH will be brought to the May meeting.

2.8 External Audit progress report

Grant Thornton (GT) are in process of planning their financial statements audit and reviewing related IA work (there were no issues from their interim work). They have also commenced VFM work (replacing the ALE framework with an audit of our arrangements for financial resilience and for securing economy, efficiency & effectiveness) and a (national) audit of reference costs (funded by PCTs). DH have mandated that NHS Trusts produce Quality Accounts, alongside the financial statements, subject to a dry-run audit (this work is already built into GT's audit plan). There was discussion of the going concern basis for the accounts. We also agreed that recommendations would be monitored through the same process as those from internal audits, appearing on the log if overdue.

2.9 Internal Audit Strategy and Plan 2011/12

The plan has been checked against the BAF, discussed with Executives and agreed by DSG. The total fee is over budget, so DSG agreed that Anna Anderson should review monthly to assess priority of audits to bring the cost down to plan. Changes will be brought to Audit Committee for approval. Audit Committee questioned whether there was duplication with NHSLA which could reduce audit work; whether scope could be reduced on some of the audits to reduce cost; whether Estates should be included in the 2011/12 audits; and whether GT or Clinical Audit work might reduce the need for IA work on Quality Accounts. It was agreed to review these and come back to them again. Subject to these points, Audit Committee agreed that the strategy covers key risks & expected areas; the plan has appropriate resource & reflects priority areas; and the organisation receives sufficient assurance. Following some concern about a recent "red" opinion vs the audit scope, we have now agreed that internal audit scopes will be more precisely defined by IA, and reviewed by Audit Committee.

2.10 Statement of Internal Control (SIC)

Audit Committee was updated on progress of the SIC and potential items for inclusion as disclosure and issues were discussed. DH guidance not yet published, though RSM Tenon have seen it and confirm disclosure required of significant control issues with impact. The SIC will be completed after the year-end.

2.11 Internal Audit Report on Medical Devices Management – limited assurance opinion

This had been reported to the September meeting and Estates reported back on progress with actions. There had been problems in verifying the existence of assets on the database and vice versa; and with training and training records. Estates had immediately instigated a full audit, recruited a trainer; then set up a better procurement process. They have now updated policies, rationalised & labelled equipment, set up equipment lists on wards, and set up processes for regular planned maintenance & equipment checks. There was no asset value write-off. An outside training firm has been brought in (training will be brought back in-house in June) – training logs & records are held on wards, training compliance has increased to 75% (target 100% by June) and is reported monthly.

2.12 Finance Report

There were no assurance issues. The accounts preparation timetable was noted, along with a few disclosure items (IFRS asset revaluation; Medirest receipt; pensions provision discount rate; segmental reporting). With input from Finance, we finished the discussion about the going concern basis for preparation of the accounts and noted that this is appropriate.

2.13 Internal Audit Report

RSM Tenon's report updated Audit Committee on 7 finalised audits (4 green, 2 advisory and 1 "adequate assurance" (Follow Up of recommendations from previous audits). There was some confusion that the Follow Up audit didn't appear to tie in with the log of outstanding IA recommendations, and this will be clarified for the next meeting. We have agreed a process and timings for audits to resolve the issue of getting reports to Audit Committee on time, which will be issued with each audit scope as a reminder – for this year, we still face potential late notification of any issues and a final tranche of 11 / 12 reports at our May meeting.

IA will attend DSG again this month to agree the plan of work for 2011/12. We discussed replacing the planned IT audit with one of data capture and entry, but agreed we would benefit from both, the second to be included early in 2011/12.

2.14 Losses & Compensation

Audit Committee noted the schedule, which was for a lesser amount than usual.

2.15 Waiver Register - Audit Committee noted the schedule, which now contains more information for items over £50k.

2.16 Gifts & Hospitality Register - Noted, with some discussion of approval processes for clinical conferences.

2.17 Register of Interests - Received and noted.

2.18 Audit Committee work schedule 2011/12

Reviewed and agreed. Following review and discussion of the Revised NHS Audit Committee Handbook at the previous meeting, Colin Johnston agreed to give feedback from CQuAC meetings, including any Clinical Audit issues, at Audit Committee meetings.

2.19 Audit Committee Self-Assessment 2010/11

The Revised NHS Audit Committee Handbook contains a revised (longer) checklist for Audit Committees to consider, which we used this year. In addition, I added a number of questions for Executives to answer about our focus, relationships and impact; and we asked auditors to answer questions covering their areas. There were 4 "must do" questions with some uncertainty about compliance:

- "integration with wider performance management and standards compliance", which we agreed after discussion is a "Yes".
- "assurance reporting encompassing all the organisation's responsibilities", which we agreed was not a good question in how it was phrased, but that we have a good system of corporate governance in place to give assurance and that the Board also receives assurance from other sources.
- "approval of material changes to LCFS Plan", which we agreed would be a "Yes", if there had been any.
- "quarterly reports of LCFS inspections by CFMS", which we agreed is not applicable as CFMS is not yet doing quarterly inspections (though it has been proposed).

3. Date of next meeting 12 May 2011.

Sarah Connor

NED Chair of Audit Committee

16 March 2011