

Item 6.1.1a

Audit Committee

minutes

Minutes of the Audit Committee Meeting held on Tuesday 28th May 2019

Present:	Julian Farmer Nick Brooks Bob Burgoyne Mark Jones Karen O'Hagan	Non-Executive Director (Committee Chair) Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
In Attendance:	Robin Baker Laura Hunter-Cross Lucy Lavan Frankie Morris Jennifer O'Brien Jane Tomkinson Claire Wilson Nigel Woodcock	Director-Grant Thornton Head of Financial Accounts Director of Corporate Affairs Deputy Chief Finance Officer Secretary Chief Executive Officer Chief Finance Officer Senior Internal Audit Manager-MIAA

Apologies for Absence:

1. Apologies for Absence

As above.

2. Declarations of Interest Relating to Agenda Items

None declared.

3. Governance and Risk

3.1 Annual Governance Statement

Following significant discussions on the draft Annual Governance Statement at the Audit Committee on 26th March 2019, the Chief Executive Officer presented the final 2018/19 Annual Governance Statement, confirming that there had been no changes since that last meeting.

Action

The external auditors agreed that the statement provided a fair and balanced view of arrangements for LHCH.

The Audit Committee approved the statement for final review and sign off by the Board of Directors on 28th May 2019.

4. Annual Accounts Review

4.1 Review Audited Annual Report, Accounts & Financial Statements 2018/19

As required by the NHS Act 2016, the Trust had prepared Annual Accounts; Foundation Trust Consolidation schedules (FTCs) and an Annual Report in accordance with the Department of Health and Social Care General Accounting Manual (DSHC GAM) and the NHS Foundation Trust Annual Reporting Manual (ARM). The accounts were submitted to NHS Improvement (NHSI) and to Grant Thornton UK LLP, the Trust's external auditors on 24th April 2019.

Following the completion of the external audit, the final audited version of these documents were required to be submitted to NHS Improvement before 12.00 noon on 29th May 2019.

The audited annual accounts for 2018/19 were contained within pages 157 to 214 of the annual report, with the following key points summarised;

- The Statement of Comprehensive Income (SoCI) reports a surplus for the year of £15.596m. In monitoring Trust performance against its Control Total, impairments of £1.547m and £35k of capital donations were added back. Performance against the Control Total for the year is therefore £17.178m in line with the position reported to the Board of Directors at month 12.
- The position includes £10.626m Provider Sustainability Funds (PSF) which is identified in note 4 to the accounts.
- Employee benefits are analysed in note 9 to the accounts. Agency expenditure for the year amounted to £1.427m, which was significantly below the £2.0m agency gap set by NHSI.

The CFO asked colleagues to note one change to the accounts which affected the balance sheet. As part of the audit process, both the BoD and Audit Committee discussed the alternative site valuation brought in in year and no issues were highlighted. In the final audit of the accounting treatment, the auditors did not agree with the way VAT was accounted for and so the Trust made a change to the accounts. The impact of the change was that assets were increased by £10m and the revaluation reserve reduced by £10m. There remained an immaterial adjustment relating to impairments, which was described in the audit report.

Audit Committee members noted that the basis of the valuation was robust and the external auditors were satisfied that the unadjusted element was not material.

Audit Committee members commented that the report was consistent with what had been reported to the Board of Directors throughout the year.

The Audit Committee Chair would recommend that the Board of Directors formally approve the 2018/19 annual report, accounts and financial statements prior to submission to NHS Improvement.

4.2 LHCH Letter of Representation

The representation letter was provided in connection with the audit of the financial statements of LHCH NHS Foundation Trust for the year ended 31st March 2019 for the purpose of expressing an opinion as to whether the financial statements were presented fairly, in all material respects in accordance with International Financial Reporting Standards, the NHS Foundation Trust Annual Reporting Manual issued by NHS and the Department of Health and Social Care Group Accounting Manual 2018/19.

The Audit Committee confirmed their assurance that the arrangements the Trust had in place were those described within the letter and would recommend the Board of Directors to authorise the signing of the letter prior to submission to NHSI.

4.3 Those Charged with Governance Statement

As part of the annual audit, the Chair of the Audit Committee had been asked by the external auditors to provide responses to a series of questions relating to fraud risks with the Trust. The questions and proposed responses were set out within the paper.

The Audit Committee were asked to review the responses provided and confirm that they were satisfied that they were an accurate reflection of the current position.

All Audit Committee members approved the responses.

4.4 Audit Findings Report 2018/19

The External Auditors thanked Finance colleagues for their assistance in ensuring the audit was completed within the timeframe.

The report set out the findings and conclusions of this year's audit at LHCH. Page three of the report provided a summary of the key headlines arising from the audit with the external auditors concluding that following today's Audit Committee and receipt of the management representation letter and review of the final set of financial statements an unqualified audit opinion would be issued.

No material errors or uncertainties were noted and the only significant point to highlight was that linked to the alternative site valuation, discussed above under agenda item 4.1.

The external auditors confirmed that they were satisfied that the Trust had proper arrangements in all significant respects to ensure it

delivered value for money in its use of resources.

An unqualified opinion was issued on the accounts, a clean opinion on the annual report, and an unqualified opinion on the report to the Governors on the quality report.

The Chair acknowledged the effort of the LHCH finance team and external auditors in getting the audit and accounts completed within the timeframe.

5. Internal Audit

5.1 Head of Internal Audit Opinion

The Senior Internal Audit Manager confirmed that there had been three reports finalised since the draft audit opinion was seen at the Audit Committee on 26th March 2019 and were noted on page eight of the report. The PAS high level review had been finalised, although colleagues were asked to note that as that review was a briefing note report no formal assurance opinion was given.

The Trust received an overall audit opinion of substantial which was summarised on page four of the report, with commentary provided giving the context on how that opinion was reached.

The internal auditors confirmed that this was a strong opinion with which the Trust should be satisfied.

The Audit Committee noted the contents of the entire report.

5.2 Final Anti-Fraud Annual Report

The Senior Internal Audit Manager confirmed that there had been no changes to the report since it had been seen in draft at the Audit Committee on 26th March 2019.

The CFO confirmed her acceptance of the report.

The Audit Committee noted the contents of the entire report.

6. Minutes of the Meeting held on Tuesday 26th March 2019

The minutes of the previous meeting were noted and approved.

7. Action Log

Item 1- The retrospective review into the EPR project would be completed in the next financial year and presented to the Audit Committee in March 2020.

Item 2- The annual review on the External Auditors would be completed following the final accounts in May/June time and seen at the Charitable Funds Committee in July 2019.

The Council of Governors would be consulted on the Audit Committee

Terms of Reference on an annual basis at the March meeting.

Item 3- The Trust's Corporate Governance Manual had been updated to include the revised version of the Internal Audit Charter. This item would be marked as complete and removed from the action log.

Item 4- It was confirmed that individuals had been notified of the Trusts intention to disclose information about them in the annual report. This item would be marked as complete and removed from the action log.

Item 5-Final conclusion of the proposed alternative site valuation had been given above under agenda item 4.1. This item would be marked as complete and removed from the action log.

Item 6-The work plan had been updated with the changes requested at the 26th March 2019 Audit Committee. This item would be marked as complete and removed from the action log.

In addition to the above, it was requested that a review/report into PAS was presented to the Audit Committee at the July 2019 meeting. The CFO confirmed that progress against the action plan and the internal auditor's assurance on this would be presented.

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8. AGS Issues

No AGS issues were raised.

9. Evaluation of Meeting

All committee members confirmed that the meeting had been conducted effectively.

10. Date and Time of Next Meeting:

Tuesday 16th July 2019, 8.30-10.30am, Research Meeting Room.