

## Audit Committee

Item 6.1.1.2

# minutes

### Minutes of the Audit Committee Meeting held on Tuesday 29<sup>th</sup> May 2018

<b>Present:</b>	<b>Julian Farmer</b> <b>Nick Brooks</b> <b>Mark Jones</b> <b>Ken Morris</b> <b>Marion Savill</b>	<b>Non-Executive Director (Committee Chair)</b> <b>Non-Executive Director</b> <b>Non-Executive Director</b> <b>Non-Executive Director (Interim)</b> <b>Non-Executive Director</b>
<b>In Attendance:</b>	<b>Matt Back</b> <b>Victoria Beenham</b> <b>Georgia Jones</b> <b>Lucy Lavan</b> <b>Frankie Morris</b> <b>Jennifer O'Brien</b> <b>Mike Thomas</b> <b>Jane Tomkinson</b> <b>Claire Wilson</b>	<b>Head of Communications &amp; Marketing</b> <b>Head of Financial Accounts</b> <b>Audit Manager-Grant Thornton</b> <b>Director of Corporate Affairs</b> <b>Deputy Chief Finance Officer</b> <b>Secretary</b> <b>Director, Grant Thornton</b> <b>Chief Executive</b> <b>Chief Finance Officer</b>
<b>Apologies for Absence:</b>		

	Action
<b>1. Apologies for Absence</b> None.	
<b>2. Declarations of Interest Relating to Agenda Items</b> None declared.	
<b>3. Annual Accounts Review</b>  <b>3.1 Audit Findings Report</b>  The External Auditors thanked Finance colleagues for their assistance in ensuring the audit was completed within the timeframe.  A final draft version of the Audit Findings Report (AFR) was distributed within the Committee meeting which included additional actions within Appendix A. It was noted that the AFR would remain in draft format until it had been approved by the Audit Committee today.	

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 the receipt of the management representation letter and review of the final set of financial statements an unqualified audit opinion would be issued.

The external auditors confirmed that based on the assessment they concurred with management's view of the Trust's ability to continue as a going concern and the audit opinion remained unmodified for going concern.

Significant audit risks were identified on pages six to eight of the report relating to;

- Improper revenue recognition
- Management override of controls
- Valuation of property, plant and equipment
- Employee Remuneration
- Operating Expenses

The external auditors confirmed that the audit work had not identified any issues in respect of any of the above detailed risks.

The accounting policies provided on page 9 were all given a positive assessment.

No significant issues were reported within pages 10 or 11 of the report which detailed other communication requirements and other responsibilities under the code.

In relation to Value for Money, the external auditors confirmed that based on the work performed to address the significant risks, 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. Full details on the Audit of the financial statements could be found within appendix C of the report (item 3.1a).

Appendix A of the report provided audit adjustments which included;

- Bad debt of £950k
- Asset Register
- Valuation Process

The reason given for not adjusting was no overall impact on the financial statements and not material for all of the above and was consistent with NHS England advice.

Details of the Audit fees were given on page 19 of the report.

Audit Committee members stated that the report highlighted the Trust's positive position and would recommend the Board of Directors to authorise the signing of the management representation letter prior to submission to NHS Improvement.

### **3.2 Report to the Governors on the Quality Report** (tabled item not listed on agenda)

Apologies were received from Grant Thornton in reference to this report being a tabled item

The Director of the external auditors informed Audit Committee members that in line with the auditor guidance, the following indicators had been reviewed;

- All cancers: 62 day wait for first treatment from Urgent GP referral for suspected cancer
- Maximum time of 18 weeks from point of referral to treatment in aggregate-patients on an incomplete pathway

Both of these indicators were mandated by NHS Improvement as first in a prescribed order of preference. Below was a local indicator selected by the Governors of the Trust;

- Delirium screening for surgical patients

The external auditors concluded that no issues were identified from the work performed.

Subject to obtaining the letter of representation from management, the external auditors would issue an unqualified opinion on the Quality report with all aspects found to be in line with the NHS Foundation Trust Annual Reporting Manual 2017/18 and NHS requirements.

Audit Committee members supported the signing of the management representation letter prior to submission to NHS Improvement.

### **3.3 Review Audited Annual Report, Accounts & Financial Statements 2017/18** (agenda item 3.2 refers)

As required by the NHS Act 2016, the Trust had prepared Annual Accounts and an Annual Report which were submitted to NHS Improvement and to Grant Thornton UK LLP, the Trust's external auditors, on 24<sup>th</sup> April 2018.

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 29<sup>th</sup> May 2018.

A statement of comprehensive income was provided on page 149 of the report, with the CFO explaining to Committee members that performance was consistent with a control total of £6.8m for the year, plus an additional £1.5m of STF monies awarded to the Trust, giving £8.37m surplus for the year 2017/18. At the end of quarter four an increase in the asset base meant a £2.4m impairment reversal (technical adjustment). Therefore an overall surplus of £10.8m was reported for the year.

Audit Committee members commented that the report was consistent

with what had been reported to the Board of Directors throughout the year. The CFO thanked the finance team and the Head of Communications & Marketing for their efforts in what was a very difficult timetable of submission deadlines.

The Audit Committee Chair would recommend the Board of Directors to formally approve the 2017/18 annual report, accounts and financial statements prior to submission to NHS Improvement.

JF

#### **4. Minutes of Meeting Held on 10<sup>th</sup> April 2018**

Noted and approved.

#### **5. Action Log**

**Item 1-**It was confirmed that the narrative under section 2.1 Internal Control & Risk Management had been updated to include the recently concluded audit on mobile devices. This item would be marked as complete and removed from the action log.

**Item 2-**It was confirmed that the IPC annual report membership table had been updated to the standard format per other reports. This item would be marked as complete and removed from the action log.

**Item 3-**It was confirmed that the People Committee annual report had been updated per the below;

- Minor changes to ToR shown as tracked changes.
- Membership table was presented in a standard format per other reports.
- Reflected on the MIAA report and ensured suggested streamlining had occurred and expand on this point within the report.

This item would be marked as complete and removed from the action log.

**Item 4-**It was confirmed that the Quality Committee annual report had been updated per the below;

- Minor changes to ToR shown as tracked changes.
- Membership table was presented in a standard format per other reports.

This item would be marked as complete and removed from the action log.

**Item 5-**This item was for review at the July 2018 Audit Committee.

**Item 6-**This item was for review at the October 2018 Audit Committee.

**Item 7-**It was confirmed that the Senior Audit Manager for Internal Audit had updated the Internal Audit Plan with the below amendments and formally issued it to the Chief Finance Officer;

- Medical Director had requested an increase in the priority of Consultants appraisals
- The Director of Nursing confirmed that the Birch Ward review could be downgraded in priority.

This item would be marked as complete and removed from the action log.

**Item 8-**It was confirmed that the Director of Corporate Affairs had recommended the updated Audit Committee ToR, which had been updated to reflect the changes noted in the new version of the Audit Committee Handbook, for approval at the 1<sup>st</sup> May Board of Directors meeting. This item would be marked as complete and removed from the action log.

## **6. AGS Issues**

No AGS issues were raised.

## **7. Evaluation of Meeting**

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

## **8. Date and Time of Next Meeting:**

Tuesday 17<sup>th</sup> July 2018, 1.30-3.30pm, Research Meeting Room