

**Minutes of the Meeting of the Audit Committee
held on Thursday, 24 February 2011 at 9.30am
in the Syndicate Room, Wolverhampton Medical Institute**

Present:

Mr K Bryan (Chairman)
Mr J Sharples
Mr J Vanes

In Attendance

Mr M Jones	PricewaterhouseCoopers
Mr J Howse	PricewaterhouseCoopers
Ms A Buick	RSM Tenon
Mr P Westwood	Coventry & Warwickshire Audit Service
Mr K Stringer	Director of Finance & Information
Ms S Ness	Deputy Director of Finance

- 1 **Apologies**
Mr M Gennard, RSM Tenon

- 2 **Minutes of the Audit Committee Meeting held on 8 November 2010**
The minutes of the meeting of the Audit Committee held on the 8 November 2010 were agreed as a correct record.

- 3 **Matters Arising from the Minutes**
The Chairman addressed each action item arising from the minutes of the last meeting. After discussion the committee agreed that all actions had been implemented, with the following exceptions:-

Page 1 – Audit of IT System
K Stringer confirmed to the committee that the Trust wide upgrade of IT services was very near to completion and that there had been fewer issues surrounding network speed and capacity.

Page 2 – Internal Audit – RSM Tenon – Progress Report
A Buick confirmed that she had discussed the recommendations of the consultant job plan audit with the Director of HR (D Harnin). A meeting had also been arranged with the Chief Operating Officer (V Hall) to discuss further the selection of consultant job plans that should be reviewed. A Buick advised that she favoured targeting areas that had been audited before. The committee noted the progress to date and requested that a verbal update be provided at the next meeting.

ACTION

A Buick

Page 6 – Losses and Compensation Payments

S Ness advised the committee that in relation to the number of flats owned by the Trust the detail was as follows:-

- 63 paying guests
- 4 blocks of 6 flats in each block
- 6 flats designated single/married couple occupancy

The Chairman asked if the tenants were on a short or long term lease. Following discussion S Ness advised that she would ask the Divisional Manager – Estates and Facilities (G Argent) to prepare a briefing paper for the next meeting of the committee.

S Ness

The Chairman at this point made a formal thank you to Dr Anderson for her contribution to the committee as a temporary member and welcomed J Vanes as the newly appointed substantive member of the committee.

4 Internal Audit – RSM Tenon**4.1 Progress Report**

A Buick presented the Progress Report to the committee and advised that six reports had been finalised since the committee last met in November. These are detailed below together with the opinion, as follows:-

1. Private Patients' Income – AMBER/RED opinion
2. Safeguarding Vulnerable Adults – advisory audit only no opinion
3. Wolverhampton PCT Payroll Bureau (opinion on this particular audit had been split into two) – Trust opinion GREEN and PCT opinion AMBER/GREEN
4. Charitable Funds – GREEN opinion
5. General Ledger – GREEN opinion
6. Asset Management – GREEN opinion

the full key findings of the above audits are detailed on page 1, point 3 of the report.

The committee noted that there were currently three reports issued in draft namely:-

- 1 Payroll, including ESR implementation
- 2 CIP Project – Financial Delivery Milestones
- 3 Key Financial Systems (Treasury Management, Debtors and Creditors)

ACTION

A Buick advised that work on the CIP project, which had been commissioned by K Stringer, had been slightly delayed due to the responsible manager leaving the Trust. It had now been established that responsibility for this work had passed to the Deputy Director of Finance (E Williams) and a meeting with RSM Tenon had now been arranged to take this project work forward. The Chairman enquired if 'real savings' were being made and savings not just being taken out of budgets. A Buick advised that evidence would be needed to show that the CIP had indeed been met and that evidence from individuals across the Trust would be collected. K Stringer confirmed that if individual CIPs were not met they would roll forward to the next financial year. J Vanes asked for examples of CIPs that had been met and K Stringer agreed to forward two to three examples.

K Stringer

The Chairman expressed concern in relation to ref 4(i), page 17 regarding Private Patient Income and queried the timing of the implementation date of 31 July 2011. S Ness agreed to address this with the Private Patients Manager and push for an earlier implementation date.

S Ness

K Stringer referred to page 6 of the report detailing work completed to date and advised that follow up meetings should be undertaken on all audits receiving a RED opinion. For example, the Consultant Job Planning audit - discussed earlier in the meeting. J Vanes asked for sight of this particular audit report and K Stringer undertook to forward a copy.

K Stringer

A Buick referred to Appendix D – Client Briefings and advised members that this section was included for information purposes only.

The committee noted the report.

5 External Audit – PricewaterhouseCoopers

5.1 Audit Plan 2010/11

J Howse presented the Audit Plan for 2010/11 to the committee.

J Howse explained to the committee that the Audit Plan sets out the audit approach for 2010/11 highlighting the audit strategy, audit timetable, reporting and other matters. Page 1 of the report details the planning of the audit work in three areas together with the three risk assessment levels.

Page 2 of the report details the Risk Assessment areas, Risk level and Audit approach applied. The risk areas identified were as follows:-

- Community Services
- NHS Foundation Trust status
- Management Override of Controls (risk for all Trusts)
- Revenue/Expenditure Recognition
- Capital Programme

J Howse referred the committee to page 7 entitled '*Our approach to the audit*' and in particular to the accounts section. The ISA 450 requires that any misstatements identified except those of a trivial nature are recorded. Historically, any unadjusted misstatements greater than £1,000 are brought to the committee's attention. However, following discussion with K Stringer J Howse advised that a revised level of £50,000 was being proposed in the context of a £300 million budget and asked for the committee's approval.

Following discussion it was agreed that the committee were happy with this revised approach, however, the Chairman asked for an aggregate figure to be reported. M Jones asked if the committee required to see the detail of items less than £50,000, however, following discussion it was agreed that this was not required as K Stringer would still be notified of any misstatements less than £50,000. It was concluded that the committee would only be notified of any unadjusted misstatements greater than £50,000.

The committee noted that on page 11 that the additional work carried out on behalf of the Trust had been for VAT.

J Howse drew the committee's attention to page 14 '*Audit Fees*'. It was noted that the indicative fee scale set by the Audit Commission in respect of the Trust was £157,068 for 2010/11. This figure was derived from the Trust's level of expenditure and potential risk. Following discussion with K Stringer and assessment of risk as detailed in the report, J Howse advised that the planned audit fee would be between £125,000 - £145,000 (benchmark figures). The summary detail of how this fee is broken down is summarised on page 14 of the report. However, the committee noted that there was some flexibility and subject to further discussion with K Stringer £20,000 was available for targeted work.

The Chairman advised that there were significant changes in the Audit Plan from last year. J Howse agreed and advised that this was due to the Use of Resources changing this year, together with the risks associated for the Trust.

The committee noted the report.

5.2 Progress Report

J Howse presented the progress report to the committee, which summarises work undertaken since the meeting of the committee in November.

Work areas covered are detailed on page 1 of the report, however, subject areas are as follows:-

- Audit Plan – discussed separately earlier in meeting
- Reference Cost Audit

ACTION

- Quality Reports
- Non Audit Work

J Howse referred to page 2 and in particular the section relating to GP Commissioning. Following discussion J Howse agreed to forward further detail to members of the committee for their information.

J Howse

The committee noted the report.

5.3 2010/11 Charitable Funds Audit Plan

J Howse presented the Charitable Funds Audit Plan for 2010/11 to the committee, which relates to the audit of the financial statements for the financial year ending 31 March 2011.

J Howse advised that the Audit Plan sets out the proposed audit approach and summarises the key risks on which the audit work will be focused upon.

The committee noted that on page 6 the audit fee had remained the same as last year at £6,100.

J Vanes advised that following the Charity Committee meeting on the 8th February 2011 he had raised concerns regarding the Reserves Policy and the Public Benefit Test. On the latter issue J Vanes stressed that it was imperative that the Trust could demonstrate how this requirement had been tested and met as declared in the Charitable Funds Annual Report.

J Vanes suggested that an ideal way forward would be for expert advisors to be appointed and asked whether this piece of work could be undertaken by PricewaterhouseCoopers under the current terms of reference. M Jones advised that this may not be covered in the audit plan and would have to be undertaken as an additional piece of work. The Chairman asked K Stringer to consider how to best take this forward and to ensure we are adopting 'best practice' in the matter. S Ness agreed to action this with K Stringer and arrange a meeting with J Vanes to take this matter forward.

**S Ness/
K Stringer**

K Stringer referred to page 7 and the proposed audit timetable and asked if the timings were aggressive enough. Following discussion by the committee it was decided that S Ness and J Howse would discuss this issue further outside of the meeting.

**S Ness/
J Howse**

The committee noted the report.

6 Counter Fraud – Coventry & Warwickshire Audit Services

6.1 2009/10 Quality Assurance Programme – Qualitative Assessment of Counter Fraud Arrangements

P Westwood presented to the committee the results of the CFS qualitative assessment for 2009/10.

ACTION

The committee noted that the Trust had received a level 2 rating as in previous years indicating a 'satisfactory performance'. This rating had been derived from the counter fraud work completed at the end of the financial year and the assessment made by the Counter Fraud Service.

The Chairman commented that this was a disappointing result as it had been hoped the Trust would move to a level 3 this year.

P Westwood advised that the full details of the key findings could be found on page 5 – 10. The Chairman requested that a full briefing paper addressing the identified weaknesses be presented to the April meeting of the committee.

P Westwood

The Chairman referred to issues of security eg, thefts on site. S Ness advised that this area would be the responsibility of the Security Manager and any thefts would be automatically reported in the losses report. K Stringer suggested to the committee that security issues should be reported to future committee meetings. The committee agreed with this course of action and asked that the Security Manager be asked to attend the June meeting with a brief report.

**K Stringer/
S Ness**

The Chairman queried whether potential fraud should be reported to an employee's line manager or direct to LCFS, as the latter had been suggested to be the correct route in a document from the National CF Service. Following discussion the committee felt that staff would feel more comfortable reporting any potential fraud to their line manager. However, P Westwood advised that it should be direct to the LCFS. K Stringer undertook to look at the Trust's current policy to ensure that it was clear as to what the reporting arrangement were for staff.

K Stringer

The committee noted the report and advised that they hoped to see an improvement in the level awarded in the next financial year.

6.2 Counter Fraud Workplan Progress Report

P Westwood presented the Counter Fraud Workplan Progress Report to the committee.

P Westwood advised members that pro-active work continued to be developed to promote an anti-fraud culture. The committee noted that areas targeted had been counter fraud presentations; staff survey and a payslip campaign whereby all staff received details on how to contact the LCFS.

Referring to page 3 of the report P Westwood discussed the findings of the 2010 National Fraud Initiative undertaken every two years by the Audit Commission. This initiative is a data matching exercise for payroll and creditors which matches data within participating bodies. The results of the exercise had revealed four matches in payroll; Visa; payroll to pensions and creditors data.

ACTION

The Chairman queried the high percentage match in relation to creditors (1934), which seemed to be a startling number. P Westwood advised this could be simply due to the same address or name. S Ness advised the committee that she would pick this issue up with P Westwood outside of the meeting.

S Ness

P Westwood drew the committee's attention to section 2.5 '*Investigating Fraud*', which summarises the number of cases to-date received and currently under investigation.

The Chairman referred to Appendix 1 the '*Counter Fraud Work Plan - monitoring sheet*' and queried the planned number of days being 50 and the actual days worked being 40.1 days. K Stringer reassured the committee that any days not worked would be rolled forward to the next financial year.

The committee noted the detail in the progress report to date.

- 6.3 Consultation on the review of the NHS Counter Fraud Services (NHS CFS)
P Westwood advised the committee that the letter regarding 'Consultation on the review of the NHS Counter Fraud Services' dated 13 December 2010 was brought to the committee's attention for their information.

- 6.4 NHS Counter Fraud Service Case Acceptance Criteria
P Westwood advised the committee that the letter presented dated the 14 December 2010 entitled 'NHS Counter Fraud Service Case Acceptance Criteria' was presented for the committee's information.

Neither of the above two documents had any impact upon the Trust.

- 7 Internal/External Audit – Joint Working
J Howse presented the joint working summary report to the committee for their information, which was duly noted.

- 8 Recommendation Tracking
K Stringer presented the recommendation tracking report to the committee for their information.

The committee noted that there were twelve overdue recommendations that had not achieved their original implementation date on the tracking system. Following discussion it was agreed that K Stringer would meet with the two managers who had the oldest overdue implementation dates namely – K Kapoor (Department of Clinical Information Technology) and L Fieldhouse (Nursing & Midwifery Department), in order to draw the audits to a conclusion.

K Stringer

The committee noted the report.

9 Losses and Compensation Payments

S Ness presented the Losses and Compensation Payments report, which covered the period 1 October 2010 to 31 January 2011.

The committee noted that there were 17 cases of loss totalling £11,643.27 and special payments totalling £1,407.28. A total sum of £13,050.55 had been written off by K Stringer as per delegated authority.

K Stringer asked the committee to approve the write off of one bad debt for an overseas patient in the sum of £39,414.40. The committee expressed their concern at such a large amount being written off.

S Ness explained that this particular patient did have private medical insurance, but unfortunately had a pre-existing condition that had not been disclosed thus resulting in the insurance being void. S Ness reassured the committee that the correct policy and procedures were followed by the Private Patients Team and that the Divisional Manager had been made aware of this particular case. S Ness also confirmed that every effort had been made to collect the debt.

The committee approved the recommended write off of £39,414.40.

10 Issues of Significance arising from Board Assurance Committee

The committee noted that J Vanes would now be the cross-over representative between the Board Assurance and Audit Committees.

J Vanes advised that there was nothing of any significance to report on currently. However, the volume of paperwork from both committees was vast and it would be useful if this could be borne in mind when circulating documents.

11 Any Other Business**11.1 Payment by Results Data Assurance Framework**

K Stringer advised the committee that final reports had been received on both the Clinical Coding Audit and the Outpatients Audit for 2010/11 and were presented for information purposes.

K Stringer referred the committee to the respective action plans in each report and confirmed that a report would be brought to the next meeting of the committee updating members on the progress made with regard to the recommendations detailed.

J Vanes referred to page 3 of the Clinical Coding Audit and queried the trends in the graphs over the illustrated four year period. K Stringer confirmed that the years were not comparable as they related to different specialties.

K Stringer

ACTION

K Stringer referred to the issues raised with regard to the quality of case notes and the structure of filing not being of a good standard and advised that a separate working group had been set up to look at this particular issue.

K Stringer reassured the committee that all recommended action was in hand and being processed accordingly.

The committee noted the reports.

12 Date & time of next meeting

Joint meeting with Board Assurance Committee on the 28 April 2011 at 12.30 pm in the Conference Room, Hollybush House. The Chairman advised that both Internal (RSM Tenon) and External (PricewaterhouseCoopers) Audit should attend this meeting.

The Chairman requested that due to annual leave commitments that the 22nd September meeting date of the committee be moved to an earlier date in the month.

The June meeting of the committee will take place on the 7th at 10.30 am in the Conference Room.

K Stringer