

Meeting of the Audit Committee  
Held on 23 January 2019 at 10am  
in the Upper Lecture Theatre  
Royal Papworth Hospital

**UNCONFIRMED**

**MINUTES**

<b>Present</b>	<b>Mr D Dean (Chair)</b>	<b>(DD)</b>	<b>Non-executive Director</b>
	<b>Dr S Lintott</b>	<b>(SEL)</b>	<b>Non-executive Director</b>
<b>In Attendance</b>	<b>Mr R Clarke</b>	<b>(RC)</b>	<b>Chief Finance Officer</b>
	<b>Mrs A Colling</b>	<b>(AC)</b>	<b>Executive Assistant (Minutes)</b>
	<b>Mrs L Davies</b>	<b>(LD)</b>	<b>Internal Audit, RSM (from 1020hrs)</b>
	<b>Mr J Farnell</b>	<b>(JF)</b>	<b>External Audit, KPMG</b>
	<b>Dr R Hall</b>	<b>(RMOH)</b>	<b>Medical Director</b>
	<b>Mr M Jones</b>	<b>(MJ)</b>	<b>Internal Audit, RSM</b>
	<b>Mrs A Jarvis</b>	<b>(AJ)</b>	<b>Trust Secretary</b>
	<b>Mr M Kidd</b>	<b>(MK)</b>	<b>Counter Fraud Specialist, RSM</b>
	<b>Mrs J Rudman</b>	<b>(JR)</b>	<b>Chief Nurse</b>
<b>Observer</b>	<b>Liz Sanford</b>	<b>(LS)</b>	<b>Head of Business &amp; Finance, NHSI</b>
<b>Apologies</b>	<b>Mrs C Conquest</b>	<b>(CC)</b>	<b>Non-executive Director</b>
	<b>Mr G Edge</b>	<b>(GE)</b>	<b>Public Governor</b>
	<b>Dr R Hall</b>	<b>(RMOH)</b>	<b>Medical Director</b>
	<b>Mr K Jackson</b>	<b>(KJ)</b>	<b>Public Governor</b>
	<b>Mrs E Midlane</b>	<b>(EM)</b>	<b>Chief Operating Officer</b>
	<b>Mrs O Monkhouse</b>	<b>(OM)</b>	<b>Director of Workforce &amp; Organisation Development</b>
	<b>Mr S Posey</b>	<b>(SP)</b>	<b>Chief Executive</b>
	<b>Mrs S Beavis</b>	<b>(SB)</b>	<b>External Audit, KPMG</b>
	<b>Mr J Hollidge</b>	<b>(JH)</b>	<b>Deputy Chief Finance officer</b>
	<b>Mr T Merritt</b>	<b>(TM)</b>	<b>Local Counter Fraud, RSM</b>

Agenda Item

**1 WELCOME, APOLOGIES AND OPENING REMARKS**

19/01 The Chair opened the meeting and apologies were noted as above.

**DECLARATIONS OF INTEREST**

**2**

19/02 There is a requirement that Board members raise any specific declarations if these arise during discussions. The following standing

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Chair	10.10.18
MK	14.3.19

Declarations of Interest were noted:

1. David Dean as Chair of Essentia, a commercial subsidiary of Guy's and St Thomas' NHS FT.
2. Susan Lintott – in regard to positions held within the University of Cambridge.
3. Roger Hall as a Director and shareholder of Cluroe and Hall Ltd, a company providing specialist medical practice activities.
4. Josie Rudman, Partner Organisation Governor at CUH.
5. Stephen Posey in holding an Honorary contract with CUH to enable him to spend time with the clinical teams at CUH.
6. Stephen Posey as Chair of the NHS England (NHSE) Operational Delivery Network Board.
7. Stephen Posey, Josie Rudman, Roy Clarke and Roger Hall as Executive Reviewers for CQC Well Led reviews.

**3 MINUTES OF THE PREVIOUS MEETING – 10 October 2018**

19/03

**Approved:** The Audit Committee approved the Minutes of the meeting held on 10 October 2018 and authorised these for signature by the Chair as a true record.

**4 MATTERS ARISING/ACTION CHECKLIST**

19/04

The Audit Committee reviewed the Action Checklist and updates were noted.

**5 LOCAL COUNTER FRAUD (RSM)**

19/05

**i) Progress Report 2018/19**

MK introduced this report which updated on key LCFS messages. He continues to attend the monthly Trust induction sessions and LCFS presence on site helps to keep up counter fraud awareness. He advised that the Counter Fraud Authority produces a benchmarking report of how Trusts interact with their LCFS Officer. Trusts are asked to voluntarily supply this information; the report will be reported to Trust and Audit Committee.

MK confirmed that there were no management actions outstanding on counter fraud activities. Referrals continue to be received which is regarded as a positive that staff are aware of counter fraud reporting. There is one case ongoing which relates to an agency member of staff.

SEL referred to the information noted on closed cases and suggested it would be helpful to know which area of the hospital the issue related to as it may give an insight into areas to reinforce learning. MK will add an extra column in to accommodate this. Should the work area information help identify an individual then this will be amended to ensure anonymity.

DD emphasised that all staff should be treated the same regardless of job grade or skills.



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concern and requested more details about the situation in Cardiology given that it was such a significant area for the Trust. There is an action plan in place and assurance will be provided back to this Committee.

It was noted that the two business continuity plans had been put together following the delayed move with a positive outcome for CADs but concern regarding cardiology and transplant. It was expected that the next update to the committee will be on track.

MJ confirmed that there were no overdue management actions at this time.

RC thanked RSM for flexing the work plan due to the change in PFI move dates.

On a formatting issue, it was not possible to read the small writing on the Audit Plan Opinion colour coding section. RSM confirm this will be amended for future reports.

**Noted:** The Audit Committee noted the Internal Audit Progress Report.

19/10 **ii) Annual Internal Audit Plan 2019/20**

MJ introduced this report which set out the proposed plan for next year. It was noted that Section 2 contains two audits mentioned earlier which were in 2018/19 plan and moved to 2019/20 plan due to PFI delay.

MJ asked the Audit Committee to consider if this plan will provide the assurance that the Trust requires in 2019/20.

JR thanked RSM for their continued flexibility. She referred to the Care Quality Commission (CQC) and to bear in mind that the Trust is overdue an inspection. Should this happen in the near future then further assurances may be required to ensure the Trust is managing this.

The Chair referred to p10-11 of the report and asked if the committee were content with the frequency of areas being reported and is there anything **that** was not covered?

The Committee queried the reporting timeline for Private Patients as 2020/21 as this is currently flagging red. LD confirmed that assurance work was requested originally due to private patient invoicing; this work has been done and actions implemented and this area is not currently flagging as high risk. RC explained how private patient billing, contracts and prices have been amended with clear policies in place. RC to is content to see this in the work plan for 2021. He advised that there is a financial control audit for private patients, which gives assurance that this receives a frequent check.

It was noted that there is nothing currently timetabled in for CIPS;

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acknowledging that the CIPs target had ramped up in the last year with variations in success. Should CIPS be considered for review? RC advised that there has been an audit on CIPS with a following action plan. The issue with CIPs relates more to the facilitation of CIPS and business change rather than control processes. This is more relevant to the Performance Committee than Audit Committee. EM added that many CIPS relate to procurement and the hospital move. Although the Executive Directors were not satisfied with the current CIP position it was not felt beneficial to have a control audit. It was noted that CIPS reports will be presented to the next Board and Performance Committee meetings.

The Chair asked if the impending move had triggered any further audit work or internal audit implications. RC advised that two audits will be carried into the new financial year due to PFI delays.

The Chair referred to IT systems in the new hospital and whether audit work would be beneficial here. RC suggested that a control assurance into IT delivery would probably not give an indication of risk of implementation. IT work has already been assured under the PFI audit. He welcomed a view on this from RSM. LD agreed that the work already undertaken was sufficient for now. There were days available next year, with discussion with RC as to how these should be used.

[1055 JR left]

The Chair noted there were no contingency days in the work plan. RC advised that the plan can be reviewed and flexed if risk changes within year; there is an escalation process in place direct from RSM to the Audit chair if a change in audit plan is required between meetings.

**Approved:** The Audit Committee approved the Annual Internal Audit Plan 2019/20.

19/11 **iii) Draft head of Internal Audit Opinion (HOIA) Update**

MJ referred to the Draft HOIA which gave an idea of the current position. Page 1, paragraph 3 noted in bold that work was still in progress, particularly regarding one negative opinion. This area is receiving further work in quarter 4 to move this to a more positive assurance.

RC thanked RMS for this current update and ran through the timetable for the final HOIA given in March prior to seeing the draft Annual Accounts. The Audit Committee will see another draft HOIA before the final version is issued.

There were no further questions regarding the HOIA.

SEL expressed disappointment on the seeming lack of focus on KPIs, particularly as so much time spent was spent on this area at Board and Performance Committee. RC explained work in place in this

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area and interventions being taken.

**Noted:** The Audit Committee noted the draft HOIA.

**7 EXTERNAL AUDIT (KPMG)  
Indicative Audit Plan (Trust and Charity)**

19/12

JF referred to the draft Audit Plan 2019/20 and talked the committee through the report.

[1020 LD arrived]

During discussion the following items were noted/considered:

- Page 3 – Materiality set at £3.1m with a reporting threshold of £155k.
- P6, 7 shows some of the risk assessment and thought process which informs other areas.
- P7 Areas of significant risk as noted remain unchanged from the previous year. RC advised that for high risk areas, the Trust presents draft accounting notes in advance to the Auditors, particularly around more complex areas.
- P11 – noted a new significant risk (fraudulent non-pay expenditure recognition) which is new to all NHS Trusts and being included in all audits by KPMG.
- P12-14 set out other areas of focus. These are not areas of significant risk but will be reviewed during the audit i.e., new accounting standards.
- It was noted that a new standard IFRS16 leases - could potentially have an impact on the balance sheet but this is not due to be implemented until 2020.
- Going concern – KPMG do not anticipate any issues in this area.
- P17 -18 Value for Money – risks are similar to last year.
- P19 – Quality Accounts guidance has now been issued with the same indicators this year as mandatory indicator being 62 cancer wait and referral to treatment in 18 weeks
- P20 noted the Charity audit.
- Appendix 3 detailed the audit fee. KPMG are awaiting work on auditing standards as to whether this will impact on fee; JF will discuss with RC before May.
- There were no non-audit services undertaken during the year.
- The Chair referred to IFRS 9 and 15 and the impact they may have. IFRS 9 is a change in bad debt provisioning. RC explained the Trust has an internal bad debt rule provision to work to which will help this. IFRS 15 – may have impact on a couple of revenue streams but no implications on the PFI position.
- RC confirmed to the Chair that he was contents with the workload planned.

**Approved:** The Audit Committee approved the draft Indicative Audit Plan 2018/19 (Trust and Charity).

**8 ANNUAL REPORTS**

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Action by Whom	Date by When
RC	23.1.19

**i) Annual Review changes to Standard financial Instructions (SFIs)**  
19/13

RC summarised the proposed amendments to the SFIs:  
- Change of job titles and names.  
- No major changes not required at this stage.

The Chair referred to competitive tendering below a certain threshold and how is any follow on work dealt with?

RC explained that the Trust use NHSI consultancy controls. Under the delegated scheme of authority, any changes to agreed procurements are via waivers which require CEO and CFO sign off.

**Approved:** The Audit Committee approved the updated Standing Financial Instructions and recommended these to the Board of Directors for ratification.

**ii) Annual Review changes to Scheme of Delegation (SoD)**  
19/14

RC summarised the proposed amendments to the Scheme of Delegation:

- Change of job titles and names.
- CFO delegated approval levels with in SoD to the Deputy CFO (p4)

The Chair queried p12 where “all requisitions from £100,000 to £25,000 – Director of Finance” had been deleted. RC acknowledged this was an error where “all requisitions from £100,000 to £250,000” should be reinstated and the “Director of Finance” title changed to “Chief Finance Officer.

It was confirmed that notwithstanding external borrowing under SoD has delegated limits, all borrowing is referred to the Board of Directors for authorisation.

**Approved:** The Audit Committee approved the changes in the draft document and those noted above, and recommended these to the Board of Directors.

**iii) Annual Review changes to Standing orders**  
19/15

RC summarised the proposed amendments to the Standing Orders;

- change of job titles and names.
- change to the name of some policy and procedure documents linked to SOs.

The Chair asked if the Board delegated any decisions at any time. RC confirmed that the Board can delegate to the Performance Committee. The Audit Committee can scrutinise and recommend decisions to the board. At times an **Extraordinary** Board of Directors’ meeting has been called to undertake decisions between meetings.

**Approved:** The Audit Committee approved the changes to the

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Standing Orders and recommended these to the Board of Directors.

**iv) Annual Review committee Terms of Reference**  
19/16

The Committee received the ToR with proposed amendments from the Trust Secretary. During discussion the following items were noted/discussed:

- P6, item 4.5 – change NHS Protect to NHS Counter Fraud Authority.
- Raising matters of concern – the committee discussed what this related to and noted it would cover where the work of another sub-committee is not appropriate or giving assurance to the Board.
- Item 4.8 Whistleblowing – it was noted that the Audit Committee review the effectiveness of this policy but do not discharge it.
- Item 2.3 – should **the** Charitable Funds Committee be named here? RC confirmed that the Charitable Funds Committee should not be named here as it reports into the Board of Trustees, although it does report the Charity Accounts to the Audit Committee.

**Approved:** The Audit Committee approved the revised terms of Terms of Reference and recommended these for approval to the Board of Directors.

**v) Annual Committee Annual Self-Assessment**  
19/17

The Chair noted that as he was new to post as Chair of this Committee, he had asked that the previous Chair be consulted for his views..

The Chair reviewed the questions and ratings on the self-assessment and asked if the Committee disagreed with any ratings and could anything else have been added.

The Chair noted that Item 10 was rated as 'adequate' and asked what would be required to move this to 'strong'.

RC explained that on evidential review, the Audit Committee only receives reviews from two sources being RSM and KPMG; there is no third line of assurance. RC gave examples of other assurance lines:

- Clinical audit, providing a link to assurance. The Committee would welcome the view of Q&R Chair and JR to get an independent review of clinical audit. This could provide a third assurance.
- GIRFT (Get It Right First Time) is another good example of external review.

The Chair asked if there was any item raised in the individual questionnaires to note as an issue. The following was noted:

AJ

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AJ	23.1.19
AJ	14.3.19

The Committee sets itself a number of objectives it wishes to achieve? Is this appropriate for Audit?

In response, RC suggested that the Committee sets a clear work plan. However, it was suggested that the Board needs to be more directive in what it requires its Committees to do. To be best practice committees should submit a work plan and objectives to the Board. This would help appraisal of committees at Board level where there is no cross committee membership of certain Board members.

The Chair asked both RSM and KPMG representatives if they had any comments on the self-assessment.

MJ of RSM felt it was a fair assessment. He had not seen an Audit Committee formally set objectives other than a work plan. JF of KPMG felt it was a good challenge. He added that it covered the breadth of assurance rather than how output is received.

In summary the Chair was relatively happy with the self- assessment and the queries on Item 10 were noted. It also needs to link into what the Board feels Audit Committee should be doing.

SEL referred back to internal audits and whether the Audit Committee had had sight of the full reports. RC advised that following a previous request to lighten paperwork, summaries only of reports were provided and full reports were brought to the Committee by exception. SEL noted that she found discussions on the full reports informative; it was agreed to present the full reports to the Committee in future. The two full reports on Business Continuity – Performance Escalation Processes, Cardiology Surgery and Transplant, will be circulate committee members outside of the meeting.

The Chair asked whether there were any unexpected issues which could have been foreseen and was there a need to refocus from agreed audit plans. The Committee reported no issues other than the change in audit plan due to the delay in the PFI move, where the timing of this had been flexed accordingly.

Individual self-assessment questionnaires will be collated, along with committee and Chair's comments and presented to the Board for discussion at its March meeting.

The Audit Committee:

**Performed** a self-assessment by means of review against the Terms of Reference and self-assessment checklist.

**Agreed:** actions required because of the part 1 self-assessment.

**9 BOARD ASSURANCE FRAMEWORK (BAF)**

19/18

AJ presented this update to the Committee.

RC confirmed that BAF risk target and appetite are being reviewed with a report back to the next meeting.

RC noted that the Trust is working on the annual planning cycle which will see movements in the risk register. This is a natural period of change in the BAF where each Committee will be reviewing and updating their areas.

The Chair queried whether the staff risk should be reducing as we get nearer to hospital move date. It was noted that risk in 'Safer Staffing' has reduced and that the recruitment profile is strong into the move period. It was highlighted that ahead of the move at the end of April, there may still be movement in numbers for those staff with a one month notice period. The Trust does not want to under-estimate the potential impact where small teams losing one member can have a detrimental effect.

**Noted:** The Audit Committee noted the BAF update.

**10 GOVERNANCE ASSURANCE OVERVIEW**

19/19

i) Quality & Risk Committee – Chair’s Report:  
28 November 2018

ii) Performance Committee –Chair’s Report  
25 October, 29 November and 20 December 2018.

iii) Strategic Projects Committee – Chair’s Report  
25 October, 29 November and 20 December 2018.

The Committee received the Chair’s report from the Quality & Risk Committee, Performance Committee and Strategic Projects Committee; all of which had been seen at previous Board of Directors’ meetings. There were no issues for escalation to the Audit Committee and no items to add to the work plan.

It was noted that the respective committee Chairs had attended the last Audit Committee meeting on 10 October; which provided further assurance from these committees.

**Noted:** The Audit Committee noted the Chair’s reports from the Quality & Risk Committee, Performance Committee and Strategic Projects Committee.

**iv) Managing Conflicts of Interest**

19/20

The Committee received this paper which provided a progress report on implementation of the updated policy Management of Conflicts of Interest

AJ advised that this is still work in progress and the register is still to be published on the hospital’s website. It was noted that the group of decision makers, does not include Consultant staff who could be **considered influencers, particularly regarding procurement**. If Consultant staff were included this would add a further 70 staff to the register. The Trust does currently collect this Consultant data which is reported under Freedom of Information **requests**.



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AJ	14.3.19

and should be added to the work plan.

AJ to update the planner accordingly.

**Noted:** The Audit Committee noted the Forward Planner and committee comments.

**b) Any other items for the next meeting**

19/24 The Chair asked Committee members if there were any changes required in the running of the meeting. SEL reiterated her request to see full internal audit reports.

No other business was raised.

**14 ANY OTHER BUSINESS**  
i) **Anti-fraud & Bribery Policy**

19/25

**Approved:** The Audit Committee approved the **minor** updates to the policy.

**14 FUTURE MEETING DATES**

19/26

**2019**

Thursday 14 March – 10am  
Thursday 23 May – 10am followed by Board  
Wednesday 10 July – 10am  
Thursday 10 October 10am

The meeting finished at 1200 hrs

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Signed

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Date

**Royal Papworth Hospital NHS Foundation Trust**  
**Audit Committee**  
Meeting held on 23 January 2019