

**Meeting of the Audit Committee  
Held on 23 May 2019, 9am  
Ground Floor offices rooms 1&2  
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>Mrs C Conquest</b>	<b>(CC)</b>	<b>Non-executive Director</b>
<b>In Attendance</b>	<b>Mrs S Beavis</b>	<b>(SB)</b>	<b>External Audit, KPMG</b>
	<b>Michael Blastland</b>	<b>(MB)</b>	<b>Non-executive Director</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 (<i>Minutes</i>)</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 J Hollidge</b>	<b>(JH)</b>	<b>Deputy Chief Finance officer</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 S Posey</b>	<b>(SP)</b>	<b>Chief Executive</b>
	<b>Mrs J Rudman</b>	<b>(JR)</b>	<b>Chief Nurse</b>
	<b>John Wallwork</b>	<b>(JW)</b>	<b>Chairman</b>
<b>Apologies</b>	<b>Mrs L Davies</b>	<b>(LD)</b>	<b>Internal Audit, RSM</b>
	<b>Mr J Farnell</b>	<b>(JF)</b>	<b>External Audit, KPMG</b>
	<b>Mr D Hughes</b>	<b>(DEH)</b>	<b>Non-executive Director</b>
	<b>Mr M Kidd</b>	<b>(MK)</b>	<b>Counter Fraud Specialist, RSM</b>
	<b>Mr T Merritt</b>	<b>(TM)</b>	<b>Local Counter Fraud, RSM</b>
	<b>Mrs E Midlane</b>	<b>(EM)</b>	<b>Chief Operating Officer</b>
	<b>Prof N Morrell</b>	<b>(NM)</b>	<b>Non-executive Director</b>
	<b>Mr K Jackson</b>	<b>(KJ)</b>	<b>Public Governor</b>

Agenda Item		Action by Whom	Date by When
<b>1</b>	<b>WELCOME, APOLOGIES AND OPENING REMARKS</b>		
19/50	The Chair opened the meeting and apologies were noted as above.		
	<b>DECLARATIONS OF INTEREST</b>		
<b>2</b>			
19/51	There is a requirement that Board members raise any specific declarations if these arise during discussions. The following standing Declarations of Interest were noted:		

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	<ol style="list-style-type: none"> <li>1. David Dean as Chair of Essentia, a commercial subsidiary of Guy's and St Thomas' NHS FT.</li> <li>2. David Dean is Executive Chair of Essentia Trading Limited which is currently providing advisory services to the Estates team at Cambridge University Hospitals NHS Foundation Trust on Project Management.</li> <li>3. Susan Lintott – in regard to positions held within the University of Cambridge.</li> <li>4. Roger Hall as a Director and shareholder of Cluroe and Hall Ltd, a company providing specialist medical practice activities.</li> <li>5. Josie Rudman, Partner Organisation Governor at CUH.</li> <li>6. Stephen Posey in holding an Honorary contract with CUH to enable him to spend time with the clinical teams at CUH.</li> <li>7. Stephen Posey as Chair of the NHS England (NHSE) Operational Delivery Network Board.</li> <li>8. Stephen Posey, Josie Rudman, Roy Clarke and Roger Hall as Executive Reviewers for CQC Well Led reviews.</li> <li>9. Josie Rudman Vice chair of the joint Clinical Group, sub group of health care executive.</li> <li>10. Stephen Posey as Chair of the East of England Cardiac Network.</li> <li>11. Roy Clarke as a member Cambridge Global Health Partnerships Committee part of ACT.</li> <li>12. Cynthia Conquest as Deputy Director for Commercial Services and Business Intelligence at Norfolk Community Health and Care trust (Contractor) and lay member and Audit Chair of the City &amp; Hackney GP Confederation.</li> <li>13. Michael Blastland as Board member of the Winton Centre for Risk and Evidence Communication, as advisor to the Behavioural Change by Design research project and as member of the oversight Panel for the Cholesterol Treatment Trialists' Collaboration.</li> </ol>		
<b>3</b>	<b>MINUTES OF THE PREVIOUS MEETING – 14 March 2019</b>		
19/52	<b>Approved:</b> The Audit Committee approved the Minutes of the meeting held on 14 March 2019 and authorised these for signature by the Chair as a true record.	Chair	
<b>4</b>	<b>MATTERS ARISING/ACTION CHECKLIST</b>		
19/53	The Audit Committee reviewed the Action Checklist and updates were noted.		
<b>5</b>	<b>INTERNAL AUDIT (RSM)</b>		
19/54	<b>a) Internal Audit Annual Report 2018/19 (including Head of Internal Audit Opinion)</b>		
	<p>RC referred to this report where the draft has previously been seen by the Audit Committee, with no changes to this final version presented.</p> <p>For completeness, MJ referred the Committee to Section 1.4 of the</p>		

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	<p>report which confirmed that Internal Audit had no issues to highlight as significant in the Annual Governance Statement.</p> <p>There were no other comments or queries regarding this report.</p> <p><b>Noted:</b> The Audit Committee Internal Audit Annual Report 2018/149</p>		
<b>6a</b>	<b>EXTERNAL AUDIT - KPMG</b>		
19/55	<b>i) External Audit Report / ISA 260 (including Letters of Representation and Formal Independence Letter)</b>		
	<p>RC introduced this report and thanked SB, JH and audit teams for their hard work in bringing the audit to completeness with a clean suite of audit documents.</p> <p>SB added that the audit work had been well organised and well prepared. Any potential areas of issue were flagged early by both parties and papers written up and discussed in advance. SB confirmed clean, unqualified or limited assurance opinions for all areas.</p> <p>The Chair took all documents as read. He asked KPMG that, with the exception of accounting standards were there any significant differences from last year.</p> <p>SB confirmed that there one was new significant risk being 'non-pay expenditure recognition, detailed on page 12 of the report. She advised that this was a fraud risk driven by the National Audit Office but had been an area of focus for the Trust previously. SB confirmed there had been substantial work on payroll which the regulator is starting to incorporate into audits and no issues to flag.</p> <p>SB ran the through the report where the following was noted/ considered:</p> <ul style="list-style-type: none"> <li>• Page 5 shows a clean unqualified audit opinion with no adjustments and no specific representations in additional to routine requests in any area.</li> <li>• The Quality Report has two mandated indicators which had received a clean limited assurance here. The local indicator of 'direct patient care time' had a minor issue relating to paper records. As mitigation for this, JR suggested that in future these documents are electronically scanned rather than keeping paper copies.</li> <li>• Value For Money (VFM) – there are no issues to report. The Chair referred to this items as the Trust was in financial deficit. SB confirmed that KPMG were content with the Operational Plan and appropriate funding/recovery plans in place.</li> <li>• Audit Certificates – SB confirmed there were no issues here.</li> <li>• P7 noted there were no Control Deficiencies on financial side. This was completed by findings from service auditors who issued an unqualified opinion as well, which gives further assurance on</li> </ul>		

Agenda Item		Action by Whom	Date by When
	<p>this.</p> <ul style="list-style-type: none"> <li>• Page 9- valuation of land and buildings and presentation of PFI disclosures. SB confirmed that there were no valuations but there was a decision relating to the old site. SB confirmed that at the year-end KPMG were comfortable that this was an operational site in use.</li> <li>• Page 10 Revenue recognition – no issues to report.</li> <li>• Page 11 Management override of control – no issues to report.</li> <li>• Page 12 ‘Non-pay expenditure recognition’ as previously mentioned this has moved up to be a significant risk.</li> <li>• P13 new accounting standards. This relates to a change in approach to debt reserves which needs to be embedded into business going forward. KPMG advised that this has been done satisfactorily.</li> <li>• Page 14 - Going concern; this has been considered with no need to report anything.</li> <li>• Page 15 – Other area of focus: Payroll costs. This has been flagged to give attention but not considered a significant risk.</li> <li>• P16 detailed output on mandated risk, with no issues raised.</li> <li>• P17-18 Management judgements - all acceptable and balanced.</li> <li>• P19 Annual Report – there are no inconsistencies in the Annual Report. KPMG are independent as Auditors.</li> <li>• P21-22 VFM as discussed earlier.</li> <li>• P26 Quality Report – no issues regarding 18 week pathways or 62 day waits.</li> <li>• P28 Direct Care time – as discussed earlier.</li> <li>• P31 Adjusted Audit Differences; three items noted as detailed. All adjusted and no other adjustments.</li> <li>• P32 risk matches noted. KPMG are comfortable with with the position. The Committee discussed the fines which have been allocated for but may take three months to be confirmed by NHSE. The Committee discussed Health Enterprise East and why this has occurred. SB confirmed KPMG had no issues.</li> </ul> <p>CC stated notwithstanding the amount of work involved with the hospital move, she was very impressed with the minimal audit differences. The Chair echoed these comments where he had found the process efficient, despite the focus on hospital move.</p> <p><b>Noted:</b> The Audit Committee noted the ISA 260.</p> <p><b>Approved/Recommend:</b> The Audit Committed approved the Letters of Representation and Formal Independence letter and recommended these to the Board of Directors for approval.</p>		
<b>6b</b>	<b>ANNUAL REPORT AND ACCOUNTS 2018/19</b>		
	<b>i) Annual Report (including Annual Governance Statement)</b>		
19/56 <b>6bi)</b> <b>6bii)</b>	<p><b><u>Annual Report and Accounts 2018/19</u></b></p> <p>There have been some minor amendments to the draft report which have been seen and agreed by the Chief Finance Officer. The Committee highlighted one query regarding Executive Director salary banding; this will be corrected for the final accounts.</p>		

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	<p>The Annual Report had received a clean bill of health from Auditors including adjustments. The final report with amendments will be checked by the Auditors before going to Board of Directors for approval.</p> <p>The Chair queried two items:</p> <ul style="list-style-type: none"> <li>• The heading on the Annual Governance Statement says 'draft'. It was confirmed that this is the final version and the word 'draft' will be removed.</li> <li>• Referring to the Annual Report page 55 – Q4 saw liquidity move to 'red'. RC explained this which related to the PFI equipping programme and had been planned for.</li> <li>• The Accounts showed £4.2m of 'other income', which related to training; research &amp; development costs.</li> </ul> <p>There were no other questions raised on the Annual Report &amp; Accounts 2018/19.</p>		
<p><b>6biii</b> 19/57</p>	<p><b><u>Quality Report &amp; Accounts 2018/19</u></b></p> <p>Page 7 Falls Risk Reduction: MB was concerned that this metric has achieved over 35% and it is not clear that the data substantiates this. RC noted that it is possible that the results are consistent with improvement but this should be evidenced.</p> <p>SEL confirmed that this had been discussed at Quality &amp; Risk Committee. RC suggested some minor wording changes to incorporate MB's concerns including explanation.</p> <p>RMOH gave input to the discussion and suggested data be presented as rolling averages. This area has low numbers and therefore changes in results can be volatile.</p> <p>The Chair agreed to the change of wording as suggested.</p> <p><b>Recommended:</b> The Audit Committee recommended to the Board the approval of the Annual Report, Accounts and Quality Report and Accounts.</p> <p><b>Agreed:</b> The Audit Committee agreed to delegate authority to Chief Finance Officer and Chief Nurse to sign off any amendments to the reports.</p>		
<p><b>7</b></p>	<p><b>ANY OTHER BUSINESS</b></p>		
<p>19/58</p>	<p>GE commented that the Annual Report &amp; Accounts and Quality Report &amp; Accounts are both very long verbose documents; can they be shortened to encourage readers and have the detail in attached appendices?</p> <p>RC stated that much of the format is a mandatory requirement and follows a prescriptive set of rules. The Trust will look at changing the presentation of these documents next year; this was not possible this year due to pressures of the hospital move.</p>		

Agenda Item		Action by Whom	Date by When
<b>8</b>	<b>(a) Audit Committee Forward Planner</b>		
19/59	Noted: The Audit Committee noted the Forward Planner.		
	<b>(b) Any other items for the next meeting</b>		
	No items were raised.		
<b>9</b>	<b>FUTURE MEETING DATES</b>		
19/	<b>2019</b> Wednesday 10 July – 10am Thursday 10 October 10am		

The meeting finished at 9.45am

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Signed

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Date

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