



## AUDIT COMMITTEE

Minutes of the meeting held on Monday 7<sup>th</sup> June 2010 at 2pm  
In the Conference Room, LAS Headquarters

### Present:

Caroline Silver      Chair  
Roy Griffins        Non-Executive Director  
Brian Hockett       Non-Executive Director

### In attendance:

Sandra Adams      Director of Corporate Services  
Dominic Bradley    Audit Commission  
Mike Dinan         Director of Finance  
Gary Douglas       RSM Tenon  
Francesca Guy      Committee Secretary  
Michael John       Financial Controller  
Phil Johnstone     Audit Commission  
Chris Rising        RSM Tenon  
Frances Wood       Audit and Compliance Manager

### 19/10:    Welcome and Apologies

Apologies had been received from Peter Bradley and Beryl Magrath.

**Action:**

### 20/10:    To approve the minutes of the meeting on 8<sup>th</sup> March 2010

The minutes of the meeting on 8<sup>th</sup> March 2010 were agreed.

### 21/10:    Matters Arising

The following matters arising were considered:

**6/10: Audit Commission:** Dominic Bradley confirmed that representatives from the Audit Commission had attended this year's stock take.

**7/10: Internal Audit:** Chris Rising commented that the three year internal audit plan would be presented at the next Audit Committee meeting in September.

**12/10: ALE 2009/10:** Mike Dinan reported that he was in the process of drafting a response on the questions regarding the use of internal audit and would circulate to the Audit Committee prior to the next meeting.

**MD**

**16/10: Annual report and Annual Accounts 2009/10:** This was on the agenda of today's meeting.

### 22/10:    Five key risks and the risk register

Sandra Adams asked the committee to note the progress made in the review of the

risk register. Sandra asked committee members to identify missing controls as there were currently some gaps.

Committee members commented that it would be useful to indicate on the risk register the committee responsible for the monitoring of each individual risk. It was recognised that the Audit Committee was generally not responsible for the monitoring of individual risks, but there might be some risks on which the Audit Committee should have particular focus.

Caroline Silver commented that a number of risks were identified at the last Trust Board meeting on 25<sup>th</sup> May 2010 (in particular around capital, CommandPoint contingency budget, infection control and demand management) and asked what the control process was to ensure that these were picked up and incorporated into the corporate risk register. Sandra Adams responded that the risks would be reported in the minutes of the Trust Board meeting and fed back to Frances Wood who would work with managers to refine the risks and mitigating actions. Roy Griffins suggested that the Trust Board minutes should be circulated to members in draft form following the meeting to enable members to ensure that all risks identified at the meeting were included in the minutes.

The Audit Committee noted the controls in place to mitigate the risks on the corporate risk register and the progress made in implementing the action plans.

### **23/10: Report from Quality Committee**

Beryl Magrath had been unable to attend the meeting today, but had sent an update of the key discussion points from the inaugural meeting of the Quality Committee on 5<sup>th</sup> May 2010 to the Chair. Beryl highlighted two areas of concern which might be considered for internal audit, which were the high number of road traffic accidents, particularly those found on inspection, and the cost of ambulances.

Mike Dinan responded that the number of road traffic accidents was high compared with that of other ambulance trusts but that a number of actions had already been put in place including the installation of black boxes in vehicles. Reporting of accidents had improved significantly and complexes had been given digital cameras to enable them to report damage to vehicles. The report from the insurers also provided useful information on damage to vehicles. Mike reported that the Motor Risk Group would be monitoring progress made.

Chris Rising added that motor risk was not currently part of the internal audit work plan and would be a difficult area to test, however other ambulance trusts had undertaken research on root causes of accidents and trends and as a result had reviewed staff training in this area.

With regards to the cost of ambulances to the Trust, it was commented that the most significant risk was related to the warranty provider and the agreement reached with the administrators.

There followed a conversation about how the Audit Committee would assure itself of the control processes which would govern these two risks. Sandra Adams responded that the risks would be monitored by the Risk Compliance and Assurance Group and the Motor Risk Group would have delegated authority to follow up on actions.

The Chair agreed to send Beryl's report to Sandra Adams to circulate to the Audit Committee members.

CS/SA

## **24/10: Report of the Local Counter Fraud Specialist and plan for 2010/11**

Gary Douglas reported the following:

- June was fraud awareness month and a roadshow would be held at Waterloo HQ and at Bow HQ. Staff attending the roadshow would be given material relating to fraud awareness and would be given an opportunity to talk directly to the Local Counter Fraud Specialist;
- All AOMs had been sent information on fraud awareness to cascade to staff;
- Following the Local Proactive Exercise into mileage, six recommendations had been made relating to staff. Disciplinary action would be undertaken by HR;
- There were currently three outstanding cases:
  - LORT/09/00885: Still awaiting the outcome of this investigation. The member of staff in question had resigned and it was thought that it was likely to result in prosecution;
  - LORT/09/00887: A final decision would be made next week and it was thought that it was likely to result in prosecution;
  - LCFS0651/52534: This case involved an ex-member of staff who was due to be interviewed under caution on 9<sup>th</sup> June 2010.
- No new referrals had been made in the last six months.

The Chair asked whether the time required for unplanned / responsive counter fraud work needed to be increased for 2010/11. Mike Dinan suggested increasing this element to 4 to 5 days. Mike commented that the management savings that the NHS would be required to make would place an increased focus on counter fraud activity.

The Audit Committee noted the Local Counter Fraud Specialist Annual Report for 2009/10.

## **25/10: Audit Commission**

### Progress Report

Dominic Bradley reported that the Trust's ALE assessment had been finalised for the first three assessment areas: financial management, internal control and value for money. All Key Lines of Enquiry including value for money remained as previously scored. The Audit Commission was currently completing their assessment of the final two Key Lines of Enquiry areas of financial reporting and financial standing.

### Annual Governance Report

Phil Johnstone reported that the transfer to the International Financial Reporting Standards had presented some additional challenges to the finalisation of the 2009/10 accounts. However, the majority of outstanding issues had now been resolved and the only remaining outstanding area was the cashflow statement. It was expected that work would be completed shortly and that Audit Commission would be able to issue an unqualified opinion on the financial statements.

Dominic Bradley highlighted the adjustments that had been made to the accounts. Mike Dinan reported that the adjustments had been caused by various factors including the late arrival of some figures and software problems. These software problems around the posting of depreciation, did mean that the Trust would show a "technical deficit", however, the adjustments did not affect the control total. Michael John reported that the software problems continued, although there was significant effort being expended to resolve them. Mike Dinan reported that the Finance team was working to resolve this and would keep the Audit Committee updated on progress. The Chair asked that this was put on the agenda for the next meeting.

**MD/FG**

Phil Johnstone noted the following misstatements which, after discussion with Trust management, remained unadjusted:

- Incorrect apportionment of a prepayment that meant the prepayment was overstated. No further incidences were identified following an extension of the sample testing and it was therefore decided not to make any further adjustment to the accounts;
- NHS income and expenditure matching exercise identified a number of residual differences between LAS income and other NHS bodies' expenditure. However the figure was not material and was low compared to that reported to other NHS Trust Boards and therefore the recommendation was not to adjust this figure;
- £34k unexplained difference between payments for tangible and intangible assets in the cashflow and the reconciliation with accrual based figures elsewhere in the financial statements. This related to a prior year error.

The Audit Committee supported the recommendation not to adjust the accounts in these three areas.

Phil Johnstone drew attention to paragraph 17 of the Annual Governance Report which stated that a weakness had been identified with regards to the authorisation of journals. Further testing had been undertaken and no issues were identified that would affect the statement of accounts.

With regards to the letter of representation, Phil Johnstone commented that there were no other specific representations that were being asked of the Audit Committee aside from the usual.

The Chair asked whether the Care Quality Commission had accepted the trust's registration for additional activities. Sandra Adams responded that they had yet to receive the formal notification, but had received confirmation from CQC that the trust could continue to provide these services in the meantime.

#### 2010/11 Fee Letter

Phil Johnstone noted that planned audit fee for 2010/11 was reduced from that of previous years.

The Audit Committee agreed the annual fee for 2010/11.

#### Update on potential changes following the recent government change

Phil Johnstone reported that it was likely that the structure of the healthcare sector and the way that it was regulated would change under the new government, but

the detail of this had yet to be announced. Public sector audit thus far remained relatively unaffected, but it was likely that the Audit Commission would experience significant workforce reduction.

#### **26/10: Annual Report and Annual Accounts 2009/10**

Mike Dinan reported that the Annual Report and Annual Accounts for 2009/10 would need to be submitted to the Department of Health by 11<sup>th</sup> June 2010. It was agreed that, as the Trust Board had ultimate responsibility for their approval, the annual report and accounts would be circulated to the Trust Board prior to their submission and their approval be formally minuted at the Trust Board meeting on 29<sup>th</sup> June 2010.

**MD**

Mike Dinan reported that the trust would like to disclose a schedule showing directors' expenses for the financial year ending 31 March 2010. This was standard practice and would help to improve the trust's ALE score on financial reporting. The Audit Committee supported the inclusion of this additional information.

Mike also tabled a paper which highlighted amendments that had been made to the Annual Report and Accounts which had been agreed with the auditors. These amendments would be incorporated into the final version.

Roy Griffins asked whether the strategic risks as listed on page 15 and 30 of the report should be updated to reflect the comments made at the Trust Board meeting on 25<sup>th</sup> May 2010. Sandra Adams responded that this Annual Report dealt with the period ending in March 2010, and that therefore it was the governance structure and strategic objectives in force over that period that were included, but that she would take guidance from the Audit Committee on this. Following a discussion, it was agreed that to avoid confusion given the changes in governance structure and further work on refining strategic objectives that has taken place after the end of the accounting period in question, explicit reference to the strategic objectives should be taken out and that the report should include a statement that the Trust Board had spent extensive time throughout the year assessing and refining the strategic objectives.

As regards whether the significant control issues as listed on page 33 should be included in the annual report, Chris Rising suggested that both the issue and the overall opinion statement should be included, and the Audit Committee agreed with this approach.

It was also agreed that reference to CommandPoint should be included in the section on Chief Executive's views.

It was agreed that Sandra Adams would make these amendments and circulate to Trust Board members with a note highlighting the key changes.

**SA**

#### **27/10: RSM Tenon**

Chris Rising reported that the overall audit opinion was that significant assurance could be given that there was a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However four areas of weakness had been identified. These were:

- Drug controls: an action plan had been developed to address this;
- Patient Transport Services: a number of weaknesses had been identified in the processes of ensuring that all journeys were supported by the appropriate booking forms and journey and price information;
- Records Management: checks had not been undertaken at a local level and there was potential for inappropriate access to patient records. A project was underway to identify why PRF forms were missing;
- Medical Devices: weaknesses had been identified in the application of controls which had the potential to incur additional expenditure.

Chris Rising added that the number of limited assurances given had increased from 2008/09 but that this was a reflection of management proactively using internal audit to address areas of concern. It was noted that the number of substantial assurances given had also increased.

The Committee noted that the monitoring of risks pertaining to drug controls and medical devices was the responsibility of the Clinical Quality Safety and Effectiveness Committee and those pertaining to Patient Transport Services and records management were the responsibility of RCAG. It was suggested that the Quality Committee should have direct access to internal audit in each these areas.

The Audit Committee noted the areas raised in the assurance statement and the Chair of the Audit Committee undertook to ensure that the Chair of the Quality Committee put these issues as a high priority on the Quality Committee agenda.

**CS**

#### **28/10: Audit Recommendations Progress Report**

The Audit Committee noted the slippage of a number of the recommendations and questioned whether the audit recommendations were being taken seriously by managers. Chris Rising reported that he had met with Frances Wood to discuss this and they had agreed that management needed to ensure that the deadlines agreed were realistic and that agreed deadlines were met. It had been suggested that those who consistently failed to meet their deadline should be asked to attend an Audit Committee meeting to explain the slippage.

Frances Wood reported that she had been reviewing the audit process and made the following comments:

- She would be rolling out a series of workshops for managers to ensure that audit was embedded in the Trust's approach to risk management;
- Managers would be asked to agree an action plan rather than comments or recommendations;
- More clarity was required around where actions would be reported;
- Actions would continue to be monitored even after recommendations had been signed off.

Sandra Adams added that SMG now received the audit recommendations progress report at each meeting.

The Chair noted that there were occasions where the forecast date had moved, but it was not clear whether any progress had been made. Frances responded that the progress report would incorporate this information in the future. The Chair also asked that the paper front sheet be used to flag up any issues or points for the Audit Committee to consider.

### **29/10: Audit Committee Terms of Reference**

The Chair reported that the Audit Committee terms of reference had been reviewed at the meeting in March, prior to the finalisation of the governance structure.

The following comments were made by the Committee:

- All references to Standards for Better Health should be removed and replaced with Care Quality Commission regulations;
- Section 5, first bullet point should read: To review the effectiveness of the other committees in the management of risk and principally that of the Quality Committee and the Risk, Compliance and Assurance Group;
- Section 7: Required attendees should include the non-executive chair of the Quality Committee and the Director of Operations or his deputy;
- Section 11: The agenda and papers will be distributed 5 working days before each meeting;
- Section 11: The draft minutes and action points will be available to committee members within 7 working days of the meeting.

SA

Chris Rising reported that a new Audit Committee Handbook would be published shortly (estimated within one or two weeks). He agreed to circulate this to Audit Committee members.

CR

Subject to these comments, the Audit Committee approved their terms of reference.

### **30/10: Annual Audit Committee report**

Sandra Adams reported that it was a compliance requirement for the Audit Committee to present an annual report to the Trust Board. The Chair noted those sections yet to be complete including the self-assessment. The Chair agreed to complete a self-assessment and circulate it to the other Audit Committee members for comment and amendment. It was agreed that Sarah Waller should also be included as she was a member of the Audit Committee during the period to March 2010. Chris Rising commented that it might be worth waiting for the publication of the updated checklist to be contained within the new Audit Committee Handbook, and it was agreed that this was a sensible approach.

Chris Rising also suggested including items from the Audit Committee's work plan for the next 12 months. This would include:

- Monitoring the effectiveness of the revised governance structure;
- IBP and preparation for Foundation Trust status;
- Stroke and Trauma.

Subject to the comments above, the Audit Committee approved the Annual Audit Committee report to the Trust Board and agreed that it should be finalised in preparation for the June Trust Board meeting if possible (dependent on Audit Committee Handbook publication).

### **31/10: Any other business**

There was no other business.

**32/10: Date of the next meeting**

Audit Committee

Date: Monday September 2010

Time: 14.00 – 17.00

Venue: LAS HQ Conference Room