

**Minutes of the Meeting of the Audit Committee
held on Thursday, 17 December 2009 at 9.30 am
in Room 4, Wolverhampton Medical Institute**

Present:

Mr K Bryan (Chairman)
Mr S Bright

In Attendance

Mr M Jones	PricewaterhouseCoopers
Ms S Swan	PricewaterhouseCoopers
Mr M Gennard	Bentley Jennison
Ms A Buick	Bentley Jennison
Mr B Vaughan	Bentley Jennison
Mr K Stringer	Director of Finance & Information
Ms S Ness	Deputy Director of Finance & Information (part)

Observer

Mr A Edwards Trust Chairman

ACTION

- 1 Apologies**
Mr J Sharples
- 2 Minutes of the Audit Committee Meeting held on 29 October 2009**
The minutes of the meeting of the Audit Committee held on the 29 October 2009 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 action had been implemented, with the following exceptions:-

Page 3 – Capital Programme & Procedures (01.09/10)
K Stringer advised the committee that a temporary Capital Accountant had been appointed as an interim measure until a permanent appointment was made. A formal report will be presented to the February meeting as it was too early to provide a detailed review for today's meeting.

Page 3, Recurring Themes from Assessments (03.2009/10)
S Bright advised the committee that he would be seeking clarification regarding recommendation reference number 8 (of the above report) at the Board Assurance Committee meeting this afternoon. A verbal update will be provided at the February meeting.

K Stringer

S Bright

Page 4 – Criminal Records Bureau Checks (13.09/10)

The Chairman advised the committee that he had spoken with J Vanes (Non Executive Director), but this had been overtaken by discussion held at the Board. He advised that he had been assured by D Harnin (Director of HR) that CRB checks were being looked at and processes overhauled.

S Bright reminded the committee that the issue of CRB checks for contractors working on the hospital site remained an issue.

4 Internal Audit – Bentley Jennison

A brief introduction of External and Internal Audit members took place to facilitate discussion and also for the benefit of A Edwards (Trust Chairman).

Progress Report

A Buick presented the Internal Audit – Progress Report to the committee.

The committee noted that two internal audit reports had been finalised since the October meeting of the committee namely – ‘Safeguarding Children’ and ‘Governance – Directorate Governance Process’. A Buick referred the committee to paragraph 3.1, which details the summary findings of the two reports and Appendix B detailing the executive summaries and agreed action plans.

There are three draft reports as detailed in paragraph 4.1 awaiting final management responses.

Follow up work will commence this month on the number of ‘limited assurance’ reports issued in 2009/10 and as previously agreed the programmed days for follow up work will be utilised on assessing progress made thus far.

The Chairman asked that the outstanding items are brought back to the committee to provide assurances that these areas are being looked at and addressed.

The Chairman referred to the ‘Safeguarding Children’ audit and asked if the committee were happy with the controls in place. This particular audit had been discussed by the Board and assurances given that progress was being made. S Bright advised that Wolverhampton PCT had undertaken a separate review at the same time, but had not had sight of the final report.

A Buick confirmed that key areas had been addressed at a Quality and Safety Committee meeting in October 2009.

The Chairman referred to page 3 – and expressed his concern regarding the figures in the table measuring internal audit performance.

A Buick

ACTION

M Gennard explained that this was mainly due to one report being outstanding for a long period of time. This is currently being addressed with the Medical Director for an urgent response.

The Chairman advised that 17% of management responses being received within 20 working days was not acceptable a point reiterated by K Stringer. The Chairman asked K Stringer to address the Management Team expressing that an improved response time was imperative. To facilitate this discussion it was agreed that internal audit would provide K Stringer a detailed breakdown by Director.

K Stringer

A Buick

Referring to page 7 the Chairman queried the start date of the Capital Programme review work scheduled to commence in January 2010. K Stringer confirmed that the Capital Accountant would be hopefully in post around February/March time. Following a brief discussion it was agreed that further discussion on this piece of work should continue outside of the meeting with Bentley Jennison.

A Buick advised the committee that the Client Briefings were included for information purposes at the end of the progress report.

A Edwards queried the planned 20 days scheduled for the IT review and asked for clarity on the work to be carried out. A Buick confirmed that following a discussion with the Head of IT Services a number of new areas had been identified. However, a number of these days would be used for follow up work. A Buick agreed to ascertain for the committee, which areas would be audited and report back to the February meeting.

A Buick

The committee noted the contents of the report.

Local Counter Fraud Specialist (LCFS) Progress Report

B Vaughan presented the LCFS report to the committee.

B Vaughan referred to page 3 of the report detailing performance against the 2009/10 work plan. The committee noted the proactive work being undertaken to promote fraud awareness throughout the Trust. In particular, the circulation of a LCFS newsletter to all staff this month.

The committee noted the number of incoming National Fraud Initiative enquiries coming into the Trust with a number of matches being identified with the detail being provided to the enquiring authority.

The committee noted the three ongoing referrals and investigations detailed on page 6 of the report and the action taken to-date since the last meeting of the committee in October. The Chairman referred to a particular referral and in particular the working hours for Consultant medical staff. K Stringer advised that job plans were negotiated and agreed thus ensuring that contractual work is undertaken. The Chairman queried whether management controls were in place to pick up target areas.

S Bright suggested that as part of next year's audit this area could be highlighted for review.

B Vaughan referred the committee to the Compound Indicator Score – Action Plan section of the report, which details the issues raised in the feedback from the 2008/09 CI score. B Vaughan advised that work was progressing to raise the score to a '3' for 2009/10.

A Edwards queried the 3 reactive cases and queried whether this was a very modest number of cases for the size of the Trust. B Vaughan advised that in fact over a two year period 14 cases had been investigated. K Stringer advised the committee that most of the investigations were of a similar theme as in other Trusts eg, working whilst off sick etc.

The Chairman enquired as to how the necessary target departments within the Trust would be made aware of the various alerts from Internal Audit/Counter Fraud, for example bogus invoices. B Vaughan replied that alerts were disseminated to the relevant areas for action to be taken. M Gennard advised that it would be helpful to receive an acknowledgement that alerts had been received and that appropriate action was being taken.

The committee noted the contents of the report.

5 External Audit - PricewaterhouseCoopers

External Audit Progress Report

M Jones presented the Progress Report to the committee.

M Jones advised the committee that during the course of the 2008/09 audit work a limited number of compliance and internal control matters were identified. Following agreement with K Stringer it was agreed to consolidate and summarise these issues, which is currently being addressed together with a revised action plan. The committee was reassured by M Jones that none of the issues identified were significant enough to be drawn to its attention.

M Jones referred to the additional non-audit work for VAT as previously discussed at meetings of the committee. Audit Commission approval to undertake this work on behalf of the Trust had been granted and the estimated cost of VAT work planned for 2009/10 amounts to £45,000. K Stringer reassured the committee that any VAT work would be routinely reported to the committee.

2008/09 Draft Annual Audit Letter

M Jones presented the draft Annual Audit Letter, which provides a high level summary of the work completed in 2008/09. The detailed findings having previously been presented to the committee.

M Jones advised the committee that minor changes had been made to the audit letter on pages 4 and 5 as per the draft presented at the last meeting, but the remainder of the letter remains unchanged. The purpose of presenting the letter to the committee was to ascertain if the changes reflected the committee's views. Following discussion the committee approved the draft Annual Audit Letter.

Due to the attendance of S Ness the committee agreed to discuss agenda item number 7 next.

7 International Financial Reporting Standards (IFRS)

S Ness (Deputy Director of Finance) presented the IFRS report for information purposes to the committee. This report details the actual adjustments arising from the introduction of IFRS, the impact of IFRS having already been reported previously to the committee.

The committee noted that the Trust's restated 2008/09 financial statements in accordance with IFRS were submitted by PricewaterhouseCoopers on 26 November 2009 with an unmodified opinion to the Department of Health.

S Ness drew the committee's attention to page 2 of the report in particular the table detailing the main changes. The committee noted that a number of areas were being looked at particularly finances leases (formerly known as operating leases). S Bright asked if there were more leases than expected and if there were any major concerns with regard to authorisation and registration of the leases. S Ness responded that some grey areas had been identified and controls did need to be reinforced as detailed in the report. The committee were reassured that processes were now in place within the Divisions, which were monitored by the Directorate Accountant.

S Ness advised that 2 pieces of revaluation work had been undertaken with work earmarked for completion by the end of March 2010. The detail would be brought back to a future committee meeting.

The committee acknowledged that in conjunction with PricewaterhouseCoopers an action plan was being finalised, which encompassed the issues arising from the IFRS restatement of accounts.

The committee noted the report.

5 External Audit – PricewaterhouseCoopers - continuation

Draft Risk Assessment 2009/10

M Jones presented the draft Risk Assessment report to the committee.

M Jones confirmed that PricewaterhouseCooper would continue to be working closely with the Trust on IFRS to identify any issues that may arise.

K Stringer

ACTION

It was noted that the Audit Commission's recently published guidance for 2009/10 ALE demonstrated a new approach, which was more risk based. The Trust scored an ALE score of 3 in 2008/09, which will be automatically carried forward to 2009/10 subject to the Trust demonstrating that performance had been maintained during the year. M Jones advised that the Trust had the option to request a themed review if it believed that performance had significantly improved to move from a score of 3 to 4. K Stringer confirmed to the committee that the Trust had aspirations to move to a 4 for 2009/10.

Following discussion the Chairman summarised that as a committee it was not felt essential to move to a 3 to a 4, however, it was essential to maintain the current score of 3. If, however, after taking into account Finance department and management workload and resources, it was thought to be a feasible option then the Finance Department should make every effort to achieve a level 4 score.

The committee noted the report.

6 Internal Audit and External Audit Joint Working Summary

M Jones advised the committee that there was no summary report to present to the committee as due to the timing of the last meeting there was nothing of significance to report. However, a formal report will be presented by PricewaterhouseCoopers to the February meeting.

M Jones

8 Recommendation Tracking

K Stringer circulated an updated recommendation tracking report to the committee for their information.

The committee noted that the outstanding recommendations for HR had reduced from 14 to 7 and there were currently 8 outstanding for Nursing & Midwifery.

K Stringer assured the committee that he would speak to D Harnin (Director of HR) again regarding the long outstanding HR recommendations.

K Stringer

The Chairman undertook to send a formal email to D Harnin stressing the committee's concerns and asking that the outstanding recommendations are completed by the February meeting of the committee.

Chairman

9 Issues of significance arising from Board Assurance Committee

S Bright advised that the next meeting of the Board Assurance Committee was indeed today. Hence there was no new business to report to the committee.

10 Audit Committee Dates for 2010

The committee agreed the dates for 2010 as presented with the exception of the March meeting.

ACTION

S Bright requested that the March meeting be moved to February to coincide with the Board Assurance Committee meeting.

11 Any other business

There were no further items raised.

12 Date & time of next meeting

25th February 2010 at 9 am in Room 6, WMI.