



Open BoD 12.09.18 Item 20ii(a)

AUDIT COMMITTEE (AC)

Minutes of the meeting of the Audit Committee of the Board of Directors of Sheffield Health and Social Care NHS Foundation Trust, held on Thursday, 24 May 2018 in the Tudor Boardroom, Old Fulwood Road, Sheffield, S10 3TG

Present:

1. Mrs. Ann Stanley, Non-Executive Director, Chair of Audit Committee
2. Ms. Sandie Keene, Non-Executive Director, Chair of Quality Assurance Committee
3. Cllr. Olivia Blake, Non-Executive Director

In Attendance:

4. Mr. Kevan Taylor, Chief Executive
5. Mr. Phillip Easthope, Executive Director of Finance
6. Dr. Mike Hunter, Executive Medical Director
7. Ms. Margaret Saunders, Director of Corporate Governance (Board Secretary)
8. Mr. James Sabin, Deputy Director of Finance
9. Ms. Tania Baxter, Head of Clinical Governance
10. Mr. Rashpal Khangura, Director, KPMG, External Audit Service
11. Ms. Rachel Whittaker, Assistant Manager, KPMG, External Audit Service
12. Ms. Lisa Mackenzie, Client Manager, 360 Assurance
13. Mr. Robert Purseglove, Local Counter Fraud Specialist, 360 Assurance
14. Mrs. Sharon Sims, Personal Assistant to Deputy Chief Executive (Minutes)

Apologies:

15. Mr. Clive Clarke, Deputy Chief Executive/Operations Director

No	Item	Action
1	<p>Welcome & Apologies for Absence</p> <p>The Chair welcomed members to the Audit Committee and noted apologies</p> <p>She noted the items on the agenda today were primarily to approve the year end reports, giving Board the assurance they could be signed off in the Extra Ordinary Board of Directors’ meeting following this meeting.</p>	
2	<p>Declaration of Interests</p> <p>Cllr. Blake declared an interest in any issues relating to the Trust’s Partnership Agreement with the Local Authority, however, it was determined that these were non-pecuniary and would not require her to leave the meeting during any discussion relating to this item. No further declarations were made.</p>	
3	<p>Minutes of the meeting held on 23 April 2018</p> <p>The minutes of the meeting held on 23 April 2018 were agreed as an accurate record.</p>	

	<p>Mindful of all the work with fraud she asked if the narrative for the 2018/19 report could be expanded.</p> <p>The Committee formally accepted the report.</p>	
6	<p>Quality Assurance Committee Annual Report 2017/18 Members received the Quality Assurance Committee (QAC) Annual Report 2017/18 and were asked to endorse the report.</p> <p>It was noted the report had been shared with QAC and agreed at its meeting of 22 May 2018. Dr. Hunter added the report is an accurate reflection of the work of the Committee and discharge of responsibilities.</p> <p>The Committee formally accepted the report.</p>	
7	<p>Workforce & Organisation Development Committee Annual Report 2017/18 Members received the Workforce and Organisation Development Committee (WODC) Annual Report 2017/18 and were asked to endorse the report.</p> <p>Ms. Saunders noted the report was prepared and submitted to AC by Mr. Wilson, and to note WODC had not endorsed the report.</p> <p>The Chair reported AC received the Board Committee annual reports to provide the Board with a level of assurance in relation to work programme and effectiveness of each Committee. She was mindful a review of the remit and Terms of Reference for WODC was required and she understood this to be progressing. She noted the content of the WODC Annual Report was significantly operational, and a shift towards become more strategic was required. Ms, Saunders added, she believed the work flow and function of WODC was reflective of the time period.</p>	
8	<p>Finance & Investment Committee Annual Report 2017/18 Members received the Finance and Investment Committee (FIC) Annual Report 2017/18 and were asked to endorse report.</p> <p>Ms. Saunders reported FIC had reviewed their report on two occasions. Mr. Easthope noted there had recently been change to FIC, from a governance perspective a gap in information governance assurance had been identified, and had now been incorporated into revised Terms of Reference.</p> <p>The Chair believed it was timely for Committees to review the sub groups reporting into various committees and EDG. Ms. Saunders responded QAC had undertaken this task and discussed and agreed a revised reporting structure. A revised structure for AC, FIC and WODC will be produced accordingly.</p>	MS
9	<p>Self-Certification Against G6 CoS7 and FT4 within the Provider Licence – Corporate Governance Statement. Members received and were asked to sign off the self-certification.</p> <p>Ms. Saunders reported AC is asked to sign off the annual self-certification against Provider Licence conditions. The Trust is required to meet three conditions. She gave assurance the Trust meets and can evidence the required conditions. The self-certification will be duly ratified by the Board and uploaded to NHS Improvement site by 30 June 2018. To note Council of Governors will receive this report at its meeting in July 2018.</p> <p>The Audit Committee agreed to approve the self -certification and recommend to</p>	

	Board of Directors for ratification and sign off.	
10	<p>360 Assurance Internal Audit Progress Report 2017/18 Members received the 360 Assurance progress report for information.</p> <p>Ms. MacKenzie presented an update of work undertaken by 360 Assurance in 2017/18. She noted to date the plan was 99% complete, with the remaining reports being presented to AC in July 2018. Work in this period had been completed on pay expenditure and healthcare income, both receiving a significant assurance opinion. To note, the Annual Report will be presented as a separate item, and includes key performance indicators and initial plans for 2018/19 work programme.</p> <p>The Chair asked for clarity in relation to Workforce Audits referenced noting the Workforce Planning audit had been undertaken and received limited assurance; she asked when this would be followed up. Ms MacKenzie responded she did not have the review dates at hand, but believed it to be September 2018. Mrs. Stanley asked for clarity on the timescale for the second audit in relation to utilisation. Ms. MacKenzie responded 360 Assurance preparatory work had been completed, although she noted the Trust lead for the audit had deferred a meetings request.</p> <p>The Committee formally accepted the report.</p>	
11	<p>360 Assurance Internal Audit Annual Report and Head of Internal Audit Opinion (HoIAO) 2017/18 Members received the report for information.</p> <p>Ms. Mackenzie advised members the HoIAO had not changed following presentation of the draft report to AC in April 2018. The Chair acknowledged the Trust had been proactive in follow up audits, which reflected improved performance.</p> <p>The Committee formally accepted the report.</p>	
12	<p>Counter Fraud, Bribery and Corruption Annual Report 2017/18 Members received the report for approval.</p> <p>Mr. Purseglove presented the Trust's Counter Fraud, Bribery & Corruption annual report, which was a requirement under Standard 1.5 NHS Counter Fraud Authority Standards for providers. He confirmed it was a positive report, reflecting an overall green status. The report is a summary of the in-year progress reports to AC.</p> <p>The Chair acknowledged the Committee received routine reports, noting AC in April received the risk assessment plan and delivery against plan.</p> <p>The Committee formally approved the annual report.</p>	
13	<p>Final Accounts & Associated Documents for the Year 2017/18:</p> <p>Draft 2017/18 Annual Accounts Members received the Annual Accounts for year ending 31 March 2018.</p> <p>Mr. Easthope reported further iterations had been circulated post papers and he gave assurance that no significant changes had been made, noting the alterations included visual adding and removal of empty rows. The Accounts represent a healthy picture within the context of conversations in relation to forecasting and outturn and represents a true and fair view of the Trust's position and value for</p>	

money in relation to public purse. Mr. Sabin added for completeness a number of minor amendments had been made from the previous draft and are highlighted in the report sent with papers.

Ms. Keene noted there had been discussion at the April meeting in relation to an NHSI follow up on the Accounts and their concerns in relation to forecasting and whether they had pursued this. Mr. Easthope responded he had a meeting scheduled with NHSI for 25 May 2018, the outcome will be provided to FIC.

The Chair asked for clarity on whether the STF funding incorporated into income had been agreed and whether it was likely to change. Mr. Sabin responded that it would change subject to Accounts being audited by external audit. There is a caveat that if a number of Trusts have their position changed and they receive less STF funding there will be more to share out. Mr. Easthope added there is only a remote possibility the Trust could receive more funds.

The Chair asked for clarity on the impairments (cost of assets) she noted entries appeared in income and expenditure (I&E) and revaluation and whether this takes into account control totals. Mr. Sabin responded the value of the revaluation is a fixed sum, resulting in £3.4m set against I&E. It is deemed as a technical adjustment and NHSI, for the purpose of incentives, exclude impairments when assessing achievement of control total.

KPMG Draft ISA 260 External Assurance Report

Mr. Khangura presented the external assurance report from KPMG (ISA260) noting from his perspective it was a “dull” report, positive from the Trust’s perspective. He noted the report had been completed further to the draft received by members.

Subject to receiving the signed financial statements, along with Annual and Quality Reports, KPMG are in a position to issue the Trust with a clean accounts opinion, clean VFM conclusion and clean report on the Quality Accounts.

The Chair was mindful the Committee had not, as this point, accepted the Quality Accounts.

Key notes to highlight included:

Finance Statement (pg 7)

The narrative relates to the time periods before, during and after the accounts projection process. He noted work was complete. He noted that whilst processes had not been smooth in the previous year, this year the process had been positive. A full set of accounts had been received supported by good quality working papers and officers had been responsive to questions and he wished to thank the Finance Department for their level of co-operation and assistance.

It was confirmed that earlier in the year a number of significant risks were identified which had the potential to impact on the audit opinion. The first relates to valuation of NHS income and receivables (£110m). Assurance was sought on this element from the agreement of balances process and review of key contracts. Differences over £100k were investigated and we were satisfied by the evidence provided and the evidence from the agreement of balances process.

The second risk relates to Non NHS Income, he noted there is no agreement of balances process in place for this element and therefore requires a different level of investigation in terms of reviewing contracts and arrangements with non NHS

Commissioners, eg Sheffield City Council and the accrued and deferred income balances to identify any risk. Following completion of this work no issues were identified of concern.

The valuation of property plant and equipment was also identified as a potential risk, due to the level of judgement and assumptions made from external valuations which is based on the information provided by the Trust. Mr. Khangura confirmed that upon review, the data provided was acceptable and the valuation was found to be satisfactory. A number of key assumptions and the methodology are reviewed as part of this element of the audit and he confirmed that there were no areas of concern.

It was also confirmed that the committee had received its own assurance on the valuation processes undertaken as part of the Material Estimates paper received in April 2018.

Standard Risks (p12)

There are two standard risks which all audits are required to review, firstly fraudulent revenue recognition which is covered through the evaluation of NHS and Non NHS income; the second relates to the potential fraudulent risk in respect of management over-ride controls eg: management access to manipulation of records. This is undertaken through a series of journal testing, decisions, forecasting and transactions outside normal NHS business. He confirmed there was nothing further to report.

Subjective Elements (p13)

Mr. Khangura confirmed that whilst the draft report received by committee noted "accruals not yet not determined", this work has now been completed resulting in a balanced assumption.

Annual Report (P14)

Mr. Khangura advised that whilst the full Annual Report is not subject to audit, there are certain elements of it which are, including the remuneration report. The main purpose of their review is to ensure the Report includes all the statutory requirements and gives a fair and balanced assessment of the Trust. No concerns noted with this element of their review.

He confirmed that the report included the KPMG statement of independent subjectivity and related fees and that the only non-statutory element of the audit fee related to the Quality Report fees.

Appendix 1

This appendix provides detail of the recommendations made as a result of the audit. Two medium rated recommendations (low priority) have been made. The first relates to the tightening up of processes in respect of authorisation of new starters and retention of paperwork and the second relates to password parameters and ensuring these meet required standards. Mr Easthope confirmed that this latter item was identified as a system issue which has been addressed and resolved by system provider.

It was also noted the six recommendations made as a result of the 2016/17 audit had all been implemented.

Appendix 2

This appendix highlights any differences identified as a result of the Agreement of

Balances process, with any concerns (above £300,000) being flagged to the National Audit Office. Mr. Khangura advised that whilst three differences were identified, in each case the relevant evidence was provided to support the Trust submission.

In conclusion, Mr. Khangura confirmed their year-end audit had not identified any uncorrected audited differences in the Accounts that were presented earlier, resulting in the need for amendments, other than minor presentational amendments Mr. Sabin referred to.

The Chair thanked Mr. Khangura for his comprehensive explanation of the report. It was noted that some Trust resourcing issues of 2016/17 had been resolved and for 2017/18 external audit had received timely and appropriate information from the Trust's Finance Department to support their year-end work. This was against a backdrop of a challenging year-end timetable and she thanked the Trust Finance team and all others involved for their efforts.

Draft 2017/18 Quality Report

Members received the Quality Accounts and were asked to approve this final version for presentation and sign off by the Board of Directors.

Dr. Hunter confirmed that the Audit Committee had received an earlier draft of the Quality Report in April 2018, since that time the Report has been out to consultation with Sheffield City Council (SCC), NHS Sheffield Clinical Commissioning Group (NHSSCCG) and Healthwatch and reviewed by the Quality Assurance Committee, resulting in the final version being presented to this Committee at today's meeting. He felt personally assured that both QAC and the Board of Directors are sighted on the substance of the report and particularly referred members to the open and honest comments by Healthwatch in the role of the Trust's critical friend. As a result of the work undertaken to produce this final report, Dr. Hunter recommended the report to the Committee.

Ms. Keene added there was triangulation from an assurance perspective in relation to priorities which is reassuring. The Chair confirmed that the comments received as a result of the consultations are informing future objectives and it was noted that the Quality Assurance Committee will now work on the detail and determining measurable outcomes to demonstrate progress.

External Assurance on the Trust's Quality Report

Mr. Khangura referenced page 19 of the KPMG ISA 260 Report which provides the outcome of their review of the Trust's Quality Report. He advised that whilst the opinion provided is limited, this refers to the limited scope of their work, rather than the assurances provided as a result.

The review they undertake involves two specific areas; the first is content, which is reviewed to ensure it meets NHSI regulatory guidelines in relation to statutory information and Mr Khangura confirmed that a clean audit opinion is given in this respect. The second aspect relates to indicators. National guidelines determine the two mandated indicators which are Early Intervention in Psychosis (EIP) and Improving Access to Psychological Therapies (IAPT). A number of samples were taken, assurances sought and a clean opinion is issued in respect of these two indicators. A further local indicator (which is identified by the Council of Governors) is also reviewed, although this does not form part of the opinion statement. The local quality indicator chosen related to mortality and again a sample was reviewed and appropriate assurances sought. No issues were identified as a result of the

review of this local indicator.

Mr. Khangura expressed his appreciation of the assistance provided by the Trust in the smooth completion of this work.

The Chair expressed the committee's appreciation of the work undertaken by KPMG in respect of this report, but also the work undertaken within the Trust to ensure a smooth process for the completion of the 2017/18 Quality Report.

Draft 2017/18 Annual Report

Members received the Trust Annual Report and were asked to approve for presentation and sign off by the Board of Directors. Ms. Saunders confirmed the Annual Report had been presented to Committee and Board of Directors on a number of occasions and comments had been incorporated into the final version.

The Committee formally accepted and agreed the Trust Annual Report 2017/18 for approval by the Board.

Annual Governance Statement 2017/18

Members received the Annual Governance Statement and were asked to approve it prior to presentation and sign off by the Board. Ms. Saunders reported the Annual Governance Statement had been presented to Committee on a number of occasions and following comments had been updated.

The Chair asked Mr. Khangura if KPMG audit the Annual Governance Statement and he responded that it is reviewed to ensure it complies with shape and design and their understanding of the Trust.

The Committee formally accepted and agreed to approve the report for Board.

External Audit Annual ISA 260 Report (see notes above)

Long Form Audit Report

Members received the Long Form report for information and Mr. Khangura noted this report is signed off following receipt of all Trust signed statements from the Board of Directors.

Draft Management Financial Statement Letter of Representation

Draft Management Quality Report Letter of Representation

The Chair noted the Management Financial Statement and Management Quality Report Letters of Representation were received in order for this Committee to give authority to signatories for the Annual and the Quality Accounts. She acknowledged work undertaken to meet the timescales.

Draft Opinion – Annual Accounts

Draft Opinion – Quality Accounts

Mr. Easthope wished to thank KPMG the Trust's external Auditors and acknowledged that he believed the processes had improved on last years. He was satisfied with the term used of "boring" in relation to Annual Accounts, Quality Accounts and ISA 260 at this stage in the governance processes. Having very few changes and a clean audit opinion is certainly desirable. He acknowledged the work that had been undertaken by all departments involved in producing reports.

As a Trust we want to continually improve and that has certainly been achieved in this regard. The Chair echoed this and thanked Mr. Khangura for his presentation.

14	<p>Any Other Business</p> <p>Internal and External Auditors The Chair reported she periodically met with the Auditors and believed a meeting with KPMG was beneficial after the year end process, and she would organise a meeting before the July AC meeting. In terms of meeting with 360 Assurance she noted meetings occurred through the year.</p>	AS
15	<p>i. Significant Issues Report The Chair reported the items on the agenda are presented to the Extra Ordinary Board of Directors allowing them to be assured and to sign off the end of year reports, that therefore a SIR is not required.</p> <p>ii. Review Future Meeting Agenda The Chair noted she will review the agenda with Mrs. Hall. The July meeting will include review of the objectives set for AC this year, and reflection on the self-assessment.</p>	AS/JH

**Date and time of next meeting:
Tuesday, 17 July 2018 at 1.00 pm
Tudor Board Room, Fulwood House**

***Apologies to: Jeanine Hall, PA to Executive Director of Finance & Chief Executive
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