

AUDIT COMMITTEE

Purpose of Report: to receive draft minutes of the Audit Committee held on 21st June 2006

1. Introduction

The last meeting of Ceredigion LHB's Audit Committee was held on the 21st June 2006. The main purpose of the meeting was to formally adopt the annual accounts for 2005/06. In accordance with the Audit Committee's Terms of Reference, the Director of Finance encloses as Attachment xxxx draft minutes of that meeting.

2. Current Situation

Items discussed at the Audit Committee include:

Annual Accounts 2005-06
Annual Internal Audit Report 2005-06
Annual Report of Counter Fraud Work 2005-06
Annual Risk Management Report 2005-06
Post Payment Verification Report
Strategic Change & Efficiency Plan
Strategic and Financial Framework
Ceredigion Procurement Initiative
BSC Internal Audit Reports

3. Recommendation

That members of the Board receive draft minutes of the Audit Committee held on 21st June 2006, with particular reference to the recommendation to approve the annual accounts for 2005-06.

Rhian Davies
Director of Finance & Commissioning
22nd June 2006

Draft minutes of the Audit Committee held at the LHB Offices, Lampeter on Wednesday 21st June 2006 at 10.00 a.m.

Present

Mr Alasdair Kenwright	Non-executive (Chair of Audit Committee)
Mrs Mary Griffiths	LHB Chair
Mr Bob Hughes Jones	Non-executive
Mr Neville Andrews	Wales Audit Office
Mr Ceri Stradling	Wales Audit Office
Mr John Bennett	Internal Audit
Miss Rhian Davies	Director of Finance and Commissioning
Mr Derrick Jones	Chief Executive (via. telephone conference link)

In attendance

Mr Ceri Lewis	Deputy Director of Finance
Mrs Eileen Curry	Finance Manager
Miss Nia Jones	Corporate Services Manager

			Action
	1	Preliminary Matters	
	1.1.	The Chair extended a warm welcome to the committee	
	1.2	Apologies for absence were received from Mrs Ann Walker	
	1.3	There were no declarations of interest.	
	1.4	The minutes of the meeting held on 7 th June 2006 were confirmed as an accurate account of that meeting.	
	1.5	Matters arising (i) It was noted that the contract for Out of Hours service provision with the Trust remained unsigned, an issue which needs pursuing with the Trust. (ii) It was confirmed by Mr. Andrews that the comments received from the non-executive members of the Audit Committee on completion of the self assessment checklist would be taken into account when compiling the Management Letter for 2005/06.	
	2	Items from Sub-Committees	
	2.1	(i) It was noted that there were no items from Sub Committees to be presented. Both the Governance & Risk Sub Committee arranged for the 8 th June and Clinical Governance Sub Committee arranged for 13 th June had to be cancelled due to apologies received which would mean the committee would not have been quorate.	

		(ii) Mrs Griffiths informed members that the review of committee structure would incorporate arrangements for ensuring that scheduled meetings could proceed as planned.	
	3	Items for Decision / Ratification	
	3.1	The Audit Committee received and approved the Annual Report of Counter Fraud Work for 2005/06. Members were informed that it was possible to instigate a new investigation on a previously closed case should there be any new allegations or suspicions of fraud reported.	
	3.2	The Audit Committee received and approved the Post Payment Verification report for the period 1 st January to 31 st March 2006.	
	3.3	The Audit Committee received and approved the Annual Risk Management Report for 2005-06, including the action plans developed further to the Welsh Risk Pool standards assessment for 2005-06. Members were informed that progress on the action plans are monitored by the Risk Working Group with exception reports taken to the Management Team.	
	3.4	The Audit Committee received and approved the Annual Internal Audit Report 2005/06. It was noted that the non executive members of the Audit Committee are to discuss the content of the proposed programme of work for 2006-07 with Mr. John Bennett.	
	3.5	The Audited Annual Accounts 2005/06 were tabled. (i) The Director of Finance informed the committee that some technical accounting amendments had been made since the presentation of the draft accounts on the 7 th June. (ii) Reference was made to Dr. Daws' correspondence of the 16 th June informing the LHB that the requested brokerage of £600k would not be forthcoming. The accounts therefore now reflected this position, and Note 2.1 – Achievement of Operational Financial Balance has been updated accordingly. (iii) It was requested by Mrs Griffiths that a further amendment be made to the Footnote to Note 2.1. The Audit Committee subsequently agreed to the inclusion of a reference to what the position would have been without incurring an element of the Trust's deficit. (iv) The contents of the Wales Audit Office Report (in	

		<p>accordance with ISA 260) on the audit of the accounts was also discussed. The Audit Committee was informed that there were no concerns regarding accounting policies, financial reporting or any material weaknesses in internal control. There was therefore no modification to the audit opinion on the accounts being that of a “true & fair view”, enabling an unqualified report on the Financial Statements to be issued.</p> <p>(v) The Audit Committee was however asked to consider its view on three uncorrected misstatements identified during the audit. These were identified as the final prescribing out turn exceeding the estimate in the draft accounts by £116,000, Prescribing Incentive Scheme accruals of £97,500 and £68,000 of patients’ charges debtors. (Mr. Andrews informed the members that the issue of prescribing incentive schemes will be looked at in depth by the Wales Audit Office as part of the work programme for 2006/07). After discussion, in conjunction with the External Auditors, the Audit Committee agreed to make a recommendation to the Board, that it does not instruct its officers to adjust these amounts in the financial statements.</p> <p>(vi) The Auditor General for Wales’ report will however be modified to reflect that the Board exceeded its Resource Limit for the year, by £598,000, following instruction from WAG to account , from January 2006, for a deficit previously reported by the Ceredigion & Mid Wales NHS Trust. In this context, Mr. Stradling was asked to enquire regarding whether the wording included on page 13 of the report (Basis of audit opinion) could be changed. Further discussion followed on WAG’s decision not to release the resource cover previously agreed to offset the over spend for 2005/06, as detailed in the 16th June letter from Dr.Daws. The discussion also alluded to Mrs. Ann Lloyd’s letter of 12th June, in response to the communication sent by Mr. Bob Hughes Jones on behalf of the Audit Committee. It was agreed that Mrs.Lloyd’s letter contained some factual inaccuracies, including the inference that neither the Audit Committee or Board are kept informed of the position. The Director of Finance also reported that until the previous day (20th June), no explanation had been offered by the Regional Office as to why the SCEP could not be signed off. Neither the Trust nor LHB had received any feedback from the 6th June meeting held between officers from the Regional Office and their</p>	
--	--	---	--

		<p>colleagues from central WAG. The Audit Committee was also informed of the advice received from Tessa Shellens at Morgan Cole Solicitors, which seemed to confirm that the LHB cannot challenge the legality of the direction from Mrs Lloyd.</p> <p>(vii) In concluding the above discussions the Audit Committee agreed that a) Mr Bob Hughes Jones write a holding letter of reply to Mrs Lloyd and b) that the Chief Executive and Director of Finance compile a chronological dossier of all relevant correspondence /directives, as these have constantly changed. This dossier will then be presented to Mrs Lloyd.</p> <p>(viii) The Audit Committee in a final conclusion, agreed to recommend approval of the accounts by the Board at its meeting of the 28th June.</p>	
	4.	Items for Information / Discussion	
	4.1	<p>i) The Director of Finance reiterated the position on the SAFF & SCEP as previously discussed. A response via e-mail had been received from the Regional Office the previous day, giving the reasons as to why the latest draft submitted on the 2nd June could not be signed off.</p> <p>ii) Work is continuing on developing a “Three Counties” SCEP;</p>	
	4.2	The Audit Committee received and noted the information regarding the Ceredigion Procurement Initiative. It was noted that a successful bid had been made to WAG under the ‘Making the Connections’ initiative, with funding provided for an initial scoping study. The project is being led by the University College of Wales, Lampeter.	
	4.3	The Audit Committee received & noted the 8 th June correspondence from Mrs Ann Lloyd, making recommendations regarding contracting processes for Public Sector bodies.	
	4.4	<p>The Audit Committee received and noted the following Wales Audit Office communications:</p> <ul style="list-style-type: none"> • Value for Money Conclusion - members noted that auditors of local NHS bodies now have to include a conclusion in their audit report, demonstrating that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. • Outcome of consultation on the Auditor General for 	

		Wales' appointments & contracting strategy – members were informed that the outcome, collated from the responses received to a questionnaire previously issued, would ensure consistency approach.	
	4.5	The Audit Committee received and noted the BSC Internal Audit Reports as included on the agenda.	
	4.6	The Audit Committee received and noted the schedule of WHC's issued since the previous listing.	
	5.	Any Other Business	
	5.1	There was no other business.	
	6	Date of next meeting - 5th October 2006. (All papers to be included to be received by EC by 20th Sept.)	