

Board of Directors' Meeting Report – 25 May 2016

Agenda item 55/16

Title	Report from Audit Committee
Sponsoring Director	Mike Green – Non-Executive Director
Authors	Mike Green – Non-Executive Director
Purpose	To update the Trust Board on the meeting of the Audit Committee held on 18 May 2016
Previously considered at	N/A
Executive Summary <ul style="list-style-type: none"> • Issues in respect of Annual Report and Financial Statements covered in a Part 2 report • 2015/16 internal audit workplan substantial complete although a small number of reports remain in draft • Internal audit contract tendered by the Trust and awarded to TIAA • 2016/17 internal audit plan finalised subject to some 1 to 1 meetings with management • Reference cost workplan on track 	
Related Trust Objective	All objectives through oversight of assurance process
Related Risk	All risks through oversight of the assurance process
Legal implications / regulatory requirements	Good governance demands an effective assurance framework monitored by the Board through the Audit Committee
Quality impact assessment	N/A
Equality impact assessment	The Committee's agenda focuses on the Trust's systems of internal controls and risk management framework. There will be areas where equality and diversity are a specific consideration. However as far as can be considered this paper has no detrimental impact for the 9 protected characteristics under the Equality Act 2010.
Recommendations: The Board is asked to note this report and receive assurance.	

Report from the Audit Committee

1 Background

The purpose of the Committee is to provide the Board with assurance that an effective risk management framework with appropriate controls is in place.

2 Year - end issues

The Committee received a presentation from Ernst & Young, the external auditors, on their year and work, the final head of internal audit opinion from RSM, the internal auditors, and discussed the Annual Report and Financial Statements (including the Annual Governance Statement (“AGS”) and Quality Account). A report on the issues raised is included in Part 2 to inform the Board’s approval of the Annual Report and Financial Statements.

3 Internal Audit

Progress report

Work on the 2015/16 internal audit plan is almost complete with four reports in draft awaiting formal management sign off. These relate to:

Assignment	Opinion	High	Medium	Low
Consultant Job Plans – Monitoring compliance and delivery	Amber/Red	1	2	2
Financial systems – general ledger	Amber/Red	1	4	1
Financial systems – Creditors	Amber/Red	1	4	0
Financial systems – Charitable Funds	Amber/Green	1	1	2
Follow up	Good progress	0	1	2

Concern was expressed that three draft reports had amber/red ratings. RSM informed the Committee that further evidence provided in relation to the financial systems reports is likely to lead to an upgrade of the opinions to amber/green. The Consultant Job Plans report requires sign off from the Medical Director and the opinion is unlikely to change. The Committee asked that every effort is made to finalise this report so it can be included in the AGS.

No reports have yet been issued against the 2016/17 plan

Since the last meeting 2 reports have been completed as follows:

Assignment	Opinion	Action agreed by priority		
		High	Medium	Low
Clinical Services Performance Management Framework	Green	0	0	3
Follow-up	Good Progress	0	0	1

Clinical Services Performance Management Framework

A substantial assurance report - a clear clinical services performance framework is in place and was being complied with.

Follow-up

The follow up review considered actions raised in the following audits:

- Governance arrangements and internal assurances mechanisms – CQC
- Sickness absence management – clinical workforce
- Monitoring and analysis of staff turnover
- E-rostering

The 14 management actions considered composed 1 high, 6 medium and 7 low priority items. One low priority action reported complete by management, relating to a Governance Lead for managing CQC compliance, was considered incomplete as the post is currently filled by a secondee. The other actions were agreed as complete.

There were a total of 11 assurance reports issued in the year. None were rated red (no assurance). 3 amber/red reports (partial assurance) have been issued and these relate to:

- HR – Recruitment process
- Full Capability Escalation Procedures
- Integrated Pathology Partnership (IPP) contract management

There was also an advisory report on Cancelled Operations and Theatre Productivity and an Information Governance Review which identified some significant weaknesses.

A summary of all the reports for 2015/16 is included in the Appendix

2016/17 Internal Audit Plan

Following the tender process TIAA have been awarded the contract for internal audit for the next three years. RSM remain as the Local Counter Fraud Service providers. TIAA presented their internal audit plan for 2016/17 and the 3 year strategic plan. This has been discussed with the Executive team; however some 1 to 1 meetings with executives still need to take place. The Committee discussed and agreed the plan subject to the outcome of the one to one discussions. The escalation process for red rated or delayed reports was discussed and agreed.

Internal Audit Recommendations follow-up

The process of recommendations tracking will be simplified under the new internal audit contract via an online portal. This will include examining all recommendations to

ensure they are still relevant. More detail will be provided in the next report. There are 18 recommendations past their agreed implementation date these relate to the following areas:

Area	No
Reference costing	1
Financial systems	2
Data quality	1
Information Governance	3
Theatre productivity	6
Clinical coding	3
IPP	1
Effectiveness of QAC	1
	18

It was noted that increased focus needs to be given to implementing audit recommendations. This has been discussed by the Corporate Management Team and a 3 month forward look was suggested as an early warning system. It was agreed that Executives responsible for outstanding recommendations will be asked to attend the Audit Committee meeting to explain how the control weakness is being mitigated without the recommendation in place from next meeting, once the new processes and tracker have been put in place.

4 Local Counter Fraud Service (“LCFS”) workplan 2016/17

The LCFS workplan was presented and approved. This has been agreed by management and proposes 60 hours of proactive work in the areas of:

- Inform and involve
- Prevent and deter
- Hold to account and
- Strategic governance.

This is a similar number of hours to last year

5 Information governance (“IG)

The Committee received the quarterly report on IG. During the quarter the highest number of reported incidents again related to breach of patient confidentiality, the majority relating to patient information found in public places ie dropped handover sheets. The Trust expects that the roll out of NerveCentre, with the introduction of electronic handover, will improve this issue and that incidents should begin to reduce by July 2016.

IG training ended the year at 73% well below the 95% national target therefore the Trust declared non- compliance in its IG year end toolkit submission.

The final IG toolkit submission was made on 31 March 2016. The Trust had an overall score of 76% which is graded “not satisfactory”. An action plan to ensure a satisfactory rating in 2016/17 has been drafted and will be monitored by the IG Committee.

6 Terms of reference

A revised terms of reference was presented. Members had had the opportunity to comment on earlier versions. This will be presented to the Board for approval.

7 Reference costing

The Committee was presented with a progress report on the reference cost work plan. This appears to be on track and further update will come to the next meeting. The Committee was also asked to approve the processes which have been implemented for the 2015/16 reference cost submission, due in July 2016. This leads on from the workplan and is intended to get the Trust to an acceptable level of compliance this year, with improvement targeted for subsequent years. The processes were approved.

8 BAF review

The Committee reviewed BAF risk 3 – Failure to meet operational performance targets. The risk score remains at 20 given that the Trust is failing all 3 standards. Management will consider a target risk score which will be brought to the next meeting.

9 Areas for discussion

- Annual Report and Accounts (Part 2) including Head of Internal Audit opinion
- Committee terms of reference

10 Next steps

- Reference costs
- Review of BAF methodology
- 2016/17 audit plan progress

11 Recommendations

The Board is asked to note this report and receive assurance

APPENDIX

Assignment	Opinion	Action agreed by priority			
		High	Med	Low	
Data Quality – Access Targets Cancer waiting times	Green	0	3	3	
Information Governance follow up	Limited progress	3	4	3	
Sickness absence management	Green	0	0	1	
Monitoring and analysis of staff turnover	Amber/Green	0	3	2	
Follow up	Good progress	4	5	0	
Serious incidents	Amber/Green	0	2	6	
Cancelled Operations and Theatre Productivity	Advisory	4	8	6	
E-rostering	Amber/Green	1	2	1	
Clinical Coding Processes	Advisory	8	10	8	
Integrated Pathology Partnership – Contract Management	Amber/Red	1	5	0	
Domestic Services	Amber/Green	0	2	1	
Full Capacity Escalation Procedures	Amber/Red	1	4	0	
Governance – effectiveness of the Quality Assurance Committee	Amber/Green	0	7	3	
HR – recruitment processes	Amber/Red	0	7	1	
Board Assurance Framework	Advisory	6 recommendations			
Cost Improvement Programme	Green	0	1	1	
Information Governance Toolkit 8 requirements	Agreed	3	2	5	2
	Under/over stated	2			
	Level 2 unlikely to be achieved	3			
Clinical Services Performance Management Framework	Green	0	0	3	
Follow-up	Good Progress	0	0	1	

Assignment	Opinion	Action agreed by priority		
		High	Med	Low
Consultant Job Plans – Monitoring compliance and delivery (Draft)	Amber/Red	1	2	2
Financial systems – general ledger (Draft)	Amber/Red	1	4	1
Financial systems – Creditors (Draft)	Amber/Red	1	4	0
Financial systems – Charitable Funds (Draft)	Amber/Green	1	1	2
Follow up (Draft)	Good progress	0	1	2