

Board of Directors' Meeting Report – 5 September 2017
Agenda item 79ii/17

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| Title | Report from Audit Committee |
| Sponsoring Director | Mike Green – Non -Executive |
| Authors | Mike Green – Non -Executive |
| Purpose | To update the Trust Board on the meetings of the Audit Committee held on 26 July 2017 |
| Executive Summary | |
| <ul style="list-style-type: none"> • Steady progress on 2017/18 internal audit plan but only one report finalised to date • Letter to Governors from external auditors on year-end audit work completed • MEMs cleaning of ward equipment referred to QAC for resolution • Reference costing submission 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 Internal Audit

One report – HR and the fit and proper persons test - has been finalised from the 2017/18 internal audit programme. Fieldwork has been completed on two further audits and three others are in progress.

| Assignment | Opinion | Action agreed by priority | | |
|--|------------|---------------------------|-----------|---------|
| | | Urgent | Important | Routine |
| HR and the fit and proper persons test | Reasonable | 0 | 1 | 2 |

HR: fit and proper persons test – reasonable assurance. The audit considered the controls around staff recruitment and tested compliance against the fit and proper persons' regulations. The Trust has implemented TRAC for recruitment. The recommendations focus on missing documentation which arose as the TRAC system bedded in.

Internal Audit Recommendations follow-up

There are currently 15 outstanding actions. 10 are not yet due and 5 are overdue. The overdue actions relate to reference costing (2), MEMS (1) and Cyber security (2) of which two are urgent. These relate to:

- Cyber security – resilience of the network is still an issue with no funding available. FRC is being informed on progress of a Success Regime wide solution. The Trust is preparing tender documentation for data centre services which might reduce the risk in the short term.
- MEMS – consistency of ward cleaning of equipment. The Committee asked for this to be cleared with some urgency and the Director of Estates and Director of Nursing will be asked to outline a solution to QAC.

Nine actions are due to be cleared in the next 3 months.

NHS Cyber attack

Following the worldwide cyber-attack in May 2017 the Success Regime commissioned an independent review to ascertain why Mid –Essex hospital was badly affected compared to the other Success RegimeTrusts, how each Trust reacted and what lessons can be learnt. We had asked our internal auditors to review the report and compare the finding to the internal audit conducted in 2016/17. The main conclusions were:

- The original audit identified patch management as a weakness
- The implementation of Intrusion Protection Services (IPS) had been recommended and this is being reviewed in a Success Regime context.

- The internal audit followed the framework set by the Communications Electronics Security Group which did not require physical inspection of network access points

3 Local Counter Fraud Service (“LCFS”)

The Committee received the LCFS progress report. The following issues were highlighted

- The Trust’s Anti-Fraud and Anti-Bribery policy has been reviewed and updated.
- The RSM Counter Fraud quarterly newsletter is now on the Trust intranet. The Committee asked if the number of views to those internet pages could be measured.
- A review is to be conducted into Consultant Job Plans
- A review is to be conducted into compliance with Standing Financial Instructions (SFIs) at authorisation levels between £2,500 to £7,500.

The Trust has been selected for an inspection by NHS Protect in mid-August 2017

4 External Auditors’ Letter to Governors

The outgoing auditors, Ernst and Young had prepared the letter but were not able to attend to present it. The Committee discussed the letter and subject to a few matters of clarification approved it to be presented to the Governors at the AGM.

5 Reference costing

The reference cost process is on track although the deadline has been extended by NHSI for 3 weeks until 23 August.

6 BAF review

The Committee reviewed BAF risk 3, now headed, Failure to meet constitutional and national performance targets. The risk score remains at 25 given that the Trust is currently failing all 3 standards and missing its improvement trajectory for RTT and Cancer. The Committee was informed that the cancer controls are being reviewed. The current risk score was agreed.

7 Areas for discussion

- Letter to Governors
- MEMs - ward equipment cleaning

8 Next steps

- Reference cost submission by 23 August 2017
- Continue progress on 2017/18 internal audit plan
- NHS Protect inspection

9 Recommendations

The Board is asked to note this report and receive assurance