

# Board of Directors' Meeting Report – 5 December 2017

## Agenda item 104/17

<b>Title</b>	Report from Audit Committee
<b>Sponsoring Director</b>	Mike Green, Non – Executive Director
<b>Authors</b>	Mike Green, Non – Executive Director
<b>Purpose</b>	To update the Trust Board on the meetings of the Audit Committee held on 25 October 2017
<b>Executive Summary</b>	<ul style="list-style-type: none"><li>• Steady progress on 2017/18 internal audit plan all reports to date have reasonable assurance</li><li>• NHS Protect review of two of the four fraud areas returned a Red/Red assessment</li><li>• Reference costs were submitted on time. No queries were raised by NHIS by the deadline</li></ul>
<b>Related Trust Objective</b>	All objectives through oversight of assurance process
<b>Related Risk</b>	All risks through oversight of the assurance process
<b>Legal implications / regulatory requirements</b>	Good governance demands an effective assurance framework monitored by the Board through the Audit Committee
<b>Equality impact assessment</b>	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
<b>Recommendations:</b>	The Board is asked to note this report and receive assurance

## Report from the Audit Committee

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### 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 Training Session

The Committee received a briefing on the General Data Protection Regulations (GDPR) which come into force in May 2017. It was agreed that the site team should provide an update to the Board on the Trust's readiness for compliance.

### 3 Reference costing

The Trust submitted its 2016/17 reference costing data on time and no queries were raised by NHSI by the deadline. All those involved should be congratulated. In line with NHSI recommendations, from a previous audit of reference costs, the Trust has implemented a new system which will be upgraded to produce patient level costing data in time for the 2017/18 submission.

### 4 Internal Audit

Three reports have been finalised from the 2017/18 internal audit programme since the last meeting. Two reports have been issued in draft, fieldwork has been completed on two further audits and one other is in progress. Two audits are at the planning stage including clinical care. The Committee asked that this audit covered some of the issues that arose out of the recent infection control inspection.

Assignment	Opinion	Action agreed by priority		
		Urgent	Important	Routine
Mandatory training	Reasonable	0	1	4
Financial reporting and budget monitoring	Reasonable	0	1	1
Clinical audit	Reasonable	0	3	2

**Mandatory training – reasonable assurance.** The review provided assurance over Trust wide data compiled for course attendance and reviewed the systems and processes for identifying, booking and non-attendance follow-up of courses. The important recommendation related to lack of compliance among bank staff which is being addressed. The Committee was concerned about the scope of the review in relation to non-attendance. The audit confirmed that non-attendees were correctly recorded but did not look at the levels of or reasons for non-

attendance which were a Directorate responsibility. The Committee concluded the audit was incomplete and that more work was required.

**Financial reporting and budget monitoring – reasonable assurance.** The review focussed on the internal control systems in place to ensure budgetary control and accurate financial reporting to the Board and external regulators. The important recommendation related to the planned wider roll out of an e-learning module for non-finance staff, this was due to start in September

**Clinical audit – reasonable assurance.** The audit focused on outputs from the Clinical Audit Plan in ensuring adequate coverage of clinical issues. A review of the effectiveness of the Clinical Audit practices and methodology was also carried out. The important recommendations related to:

- Not all directors having a forward clinical audit plan for 2017/18
- Some specialities are still not submitting data for national audits
- Only 60% of action plans have been submitted following the results of national audits

Management have accepted these recommendations and procedures and exception reporting are to be tightened up. This report will be presented to QAC. The Head of Governance will be asked to consider enhanced assurance reporting to QAC in relation audit plans.

#### **Internal Audit Recommendations follow-up**

There are currently 11 (July - 15) outstanding actions. 8 (July - 10) are not yet due and 3 (July - 5) are overdue. The overdue actions relate to reference costing (2), and Agency (1) of which none are urgent.

**Reference costing** – The Committee agreed that the item relating to replacing spreadsheets with a new system can in now cleared following the reference cost submission. The remaining item will be dealt with once the patient level costing system (PLICS) is implemented

**Agency** – a tendering exercise involved the three ESR Trusts has been delayed and needs to be kick started.

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

The Committee was concerned that outstanding item relating to the single point of failure in relation to the IT data centre was no longer shown as outstanding. Although a tender process was in place to provide additional resilience the control weakness still exists. The item is to be reinstated as outstanding and the Head of IT is to report to FRC on the mitigations currently in place to deal with the control weakness and the level of residual risk remaining.

## **5 Local Counter Fraud Service (“LCFS”)**

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

- The NHS Protect review in August looked at how the Trust was adhering to two of the four areas – Inform & Involve and Hold to Account. The Trust had self-assessed Amber and Red against these areas and the external review assessed Red and Red. Five standards were rated partially met and 4 not

met. Recommendations have been accepted and a plan has been developed with which the LCFS will assist.

- There are 3 ongoing cases concerning fraud by misrepresentation. Two cases have been closed in 2017/18 with no criminal action.
- Fieldwork is due to begin on the reviews into
  - Accounts payable and
  - Consultant job plans
- The Declaration of Interests Policy is undergoing a review

## **6 BAF review**

The Committee reviewed BAF risk 2, 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 was at the time of the Leadership Team review missing its improvement trajectory for RTT and Cancer. The current risk score was agreed.

## **7 Areas for discussion**

- Reference costs
- Clinical audit at QAC

## **8 Next steps**

- Continue progress on 2017/18 internal audit plan and draft Head of Internal Audit opinion
- External Audit strategy 2017/18
- Information Governance Annual Report
- Board to be updated on GDPR readiness

## **9 Recommendations**

The Board is asked to note this report and receive assurance