

Board of Directors' Meeting Report – 6 March 2018

Agenda item 17/18

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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 meeting of the Audit Committee held on 22 February 2018 |
| Executive Summary | <ul style="list-style-type: none"> • Internal audit work progressing to plan. First limited assurance report issued – overseas patients • Internal audit plan for 2018/19 presented and agreed in principle • LCFS plan for 2018/19 presented and agreed • External audit plan and timetable presented • Harmonised SFI's across the 3 Trusts agreed in principle |
| 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 Training Session

The Committee received a briefing on the new requirements for the 2017/18 annual report and accounts and forthcoming accounting standards.

3 Internal Audit

2018/19 Internal Audit Annual Plan

TIAA presented their internal audit plan for 2018/19.

Each review area has been linked back to a BAF risk to provide assurance. The areas to be reviewed have been agreed by the Site Leadership Team. The number of audits to be reviewed is 12 (2017/18 – 13). The Committee asked for the following before the plan is finalised:

- Updated 3 year audit cycle to be circulated
- The balance between clinical and non-clinical areas is reviewed as there are only two clinical facing audits planned.
- A review of the new patient level costing process to be included.

Progress report

Three reports have been finalised from the 2017/18 internal audit programme since the last meeting. Three reports have been issued in draft and two further audits are in progress.

| Assignment | Opinion | Action agreed by priority | | |
|-----------------------|------------|---------------------------|-----------|---------|
| | | Urgent | Important | Routine |
| Estates Management | Reasonable | 0 | 2 | 2 |
| Cost Improvement Plan | Reasonable | 0 | 4 | 1 |
| Overseas Patients | Limited | 1 | 3 | 2 |

Estates Management – reasonable assurance. The review considered the processes involved in managing the building assets of the Trust via responsive and planned maintenance works. The important actions relate to

- Completion of statutory maintenance on a timely basis and
- Failure to meet targets for priority 3,4 and 5 jobs

Management is due to address these issues by early March 2018.

Cost improvement plan (CIP) – reasonable assurance. The review examined the effectiveness of the CIP in terms of development, monitoring, quality impact assessment and delivery. The important actions relate to;

- Lack of Project Plan Overview documents signed by relevant Associate Directors
- Lack of quality impact assessments
- Schemes failing to delivery anticipated savings
- Lack of regular meetings between Directorates and Project Office.

These issues will be addressed as part of the planning for 2018/19.

Overseas Patients – limited assurance. This was an additional review requested to look at pre-admission procedures for identifying and capturing overseas patients who are not eligible for free treatment. In view of the limited assurance conclusion Claire Burns – Director of Operations Planned and Scheduled Care – was in attendance for this item. The issues arising were

- Overseas visitors not completing Undertaking to Pay forms (Urgent)
- Expanding the patient access policy to document the process for identifying and managing overseas visitors
- Use of the Confidential Patient Registration Form by all teams involved in the pre-attendance process
- Training on the overseas patient process.

The recommendations have been accepted and the Committee asked for some simple metrics to show the position was improving going forward.

Internal Audit Recommendations follow-up

There are currently 13 (December - 11) outstanding actions. 12 (December - 8) are not yet due and 1 (December - 3) are overdue.

The overdue action relates to the single point of failure in relation to the IT data centre which was reinstated following the December meeting. Work on this is monitored at FRC and it was agreed to maintain the item on the recommendations list but with a more reasonable date for completion.

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

4 External Audit

The Committee received the draft audit plan for the year end 31 March 2018 from BDO. This sets out the work to be performed to provide the Trust with:

- An audit opinion on the financial statements
- A report by exception if the Trust has not put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources
- Assurance that the quality report has been prepared in accordance with NHSI's guidance

The significant financial statement risks identified are:

- Fraud in recognising revenue and expenditure – this is a presumed risk in the public sector under auditing standards
- Risk of management override of controls – Internal Auditing Standards presume this to be a risk in all audits

- Valuation of property, plant and equipment – no external valuation is planned for 2017/18

Other risks to be considered are

- Assessment of going concern – taking into account financial plans, available funding and the activities of the Success Regime
- Accounting for recharges – between the 3 Trusts
- Related party transactions

Materiality has been set at 1.5% of gross expenditure (industry standard is 2%)

BDO gave an update on the work required to arrive at the value for money opinion. This is report by exception and should focus on the arrangements put in place to secure value for money and not the actual outcomes which may be influenced by external factors. The Committee was keen for the work on this to be completed as soon as possible so sufficient time is given to consider the resultant opinion.

5 Draft Annual Governance Statement (“AGS”)

The Committee undertook to provide comments via email to the Trust Secretary.

6 Local Counter Fraud Service (“LCFS”)

2018/19 workplan

The LCFS presented the workplan for the next financial year. The same level of resource is proposed to the current year namely 50 days for proactive work and 10 days for reactive work. Reactive work may flex depending on requirements. The work will focus on the NHS Counter Fraud Authority standards and in particular cover, in addition to the usual policy reviews, training and awareness work:

- Fraud risk register
- Procurement
- Invoicing
- Pre-employment

The workplan was approved.

Progress report

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

- A survey to measure staff awareness of anti-fraud and bribery arrangements is ongoing and currently has a better response rate than 2016/17. The results will be used to direct next year’s fraud awareness programme.
- There is 1 ongoing case concerning fraud by misrepresentation. Two cases have been closed in 2017/18 with no criminal action. The Committee asked that it receives a summary report on the outcome of those cases referred back to the Trust for action.
- Fieldwork has been completed on the review into Doctors and Consultant Declarations of Interest

7 Procurement

The Committee received an update on the proposed operating model for procurement within the 3 trusts. The model will provide the best possible service and the lowest transactional costs.

The Committee also reviewed the 39 waivers that had been approved in the third quarter of 2018/19. Nine of these were raised retrospectively.

8 Gifts and hospitality register

The Committee reviews the gifts and hospitality register 6 monthly. Only 25% of staff asked to submit forms have done so and this is being pursued. It was suggested that confirmation of gifts declaration be included as part of the appraisal process.

The Committee asked to see the conflicts of interest register at its next meeting.

9 Corporate risk register

The Committee reviewed a summary of corporate risk register activity. There are 16 extreme rated corporate risks. Five new risks were approved in Q3 and 18 risks had been closed. Certain of the closed risks appear to have been just mitigated rather than eliminated and this is to be reviewed. At its next meeting the Committee will do a deeper dive into the high impact Low Likelihood (HILL) risks.

10 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 has missed the improvement trajectories agreed with NHSI. The current risk score was agreed. The Committee asked that the gaps in controls be reviewed to ensure there was a complete picture of what needed to be done.

11 Harmonisation of SFI's

The Standing Financial Instructions of the 3 Trusts have been reviewed and harmonised into one document. The Committee approved this in principle and members were invited to provide any specific comments to the Trust Secretary.

12 Areas for discussion

- Overseas patients
- External audit timetable

13 Next steps

- Annual report and other year-end reporting
- Completion of IA plan for 2017/18 and head of internal audit opinion
- Review of HILL risks
- Review of Conflicts of Interest Register

14 Recommendations

The Board is asked to note this report and receive assurance