

## Board of Directors Meeting Report – 24 May 2018

### Agenda item 30/18

<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 8 May 2018
<b>Previously considered at</b>	N/A
<b>Executive Summary</b>	
<ul style="list-style-type: none"> <li>• Internal audit work for 2017/18 completed. Two reports to be finalised.</li> <li>• Internal audit plan for 2018/19 represented and agreed.</li> <li>• Head of Internal opinion provides reasonable assurance.</li> <li>• Second limited assurance report – Information Governance Toolkit</li> <li>• External audit progressing to plan</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>Essex Success Regime</b>	N/A
<b>Legal implications / regulatory requirements</b>	Good governance demands an effective assurance framework monitored by the Board through the Audit Committee
<b>Quality impact assessment</b>	N/A
<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 conflicts of interest.

### **3 Annual report and accounts**

A draft of the Annual Report and Accounts was presented. Members undertook to pass comments to the Trust Secretary outside of the meeting. A number of general issues were discussed including:

- Consistency of disclosures in narrative and accounts sections
- Remuneration disclosures and joint working costs
- Assurance reports to support the Board's statements in the annual report and accounts

### **4 External audit update**

The external audit has started and is progressing to plan. The auditors will give:

- A true and fair view opinion on the financial statements. This may include an emphasis of matter in respect of "going concern". The Committee suggested that the going concern disclosure be reviewed in light of the progress on the STP.
- A use of resources conclusion. This may also include an "except for" opinion in view of the continued deficit. The Committee asked that the reasons for the conclusion be clearly stated and the improvements in the year be included.
- A limited assurance review of the Quality report looking at two mandated and one local indicator.

The Audit Committee will receive the auditors' final report on these matters at its meeting on 22 May 2018.

### **5 Internal Audit**

#### **2018/19 Internal Audit Annual Plan**

TIAA represented their internal audit plan for 2018/19.

Since the last meeting

- An updated 3 year audit cycle has been included. The Committee asked that job planning be included once it was ready to be audited.

- The balance between clinical and non-clinical areas has been reviewed. No further clinical area audits have been added but a contingency has been added
- A review of the new patient level costing process has been included.
- Data quality has been added as an over-riding requirement.

The re-presented plan was approved.

### Progress report

Three reports have been finalised from the 2017/18 internal audit programme since the last meeting. Two reports have been issued in draft and are awaiting management comment. The Committee asked that these be finalised in time for the late May meeting.

No reports have yet been issued against the 2018/19 plan.

Assignment	Opinion	Action agreed by priority		
		Urgent	Important	Routine
Key financial systems	Reasonable	0	2	2
Board Assurance Framework ("BAF")	Substantial	0	1	2
Information Governance ("IG") Toolkit	Limited	1	2	0

**Key financial systems – reasonable assurance.** The audit reviewed the effectiveness of the key controls in place within accounts payable, accounts receivable, cash and treasury management. The important recommendations related to documented review of account reconciliations and aged debtor follow up. Management have accepted all the recommendations.

**Board Assurance Framework ("BAF") – substantial assurance.** A review of the arrangements in place to support the Annual Governance Statement and the robustness of the BAF, as well as compliance with the risk management strategy. The important recommendation related to including gaps in control and assurance and mitigating actions on the corporate and directorate risk registers. This will be dealt with by the end of June.

**Information Governance ("IG") Toolkit – limited assurance.** The audit was to provide assurance on the integrity of the Trust's self-assessment against NHS Digital IG Toolkit criteria. The Trust was found to have over assessed in 8 out of the 10 items sampled. IG training compliance is still an issue which needs to be addressed. Angela Bridges, Information Governance Manager, attended the meeting to provide and update on progress made before the IG Toolkit submission in March and future plans, which included ad hoc auditing. It was suggested that in view of the changes to the toolkit in light of GDPR that the audit be carried out in two parts next year to provide an earlier warning of any issues and to spend some time looking at the IG risks rather than just compliance with the toolkit. The

Committee asked to see a summary of all IG breaches both referred and not referred to the Information Commissioner’s Office and a summary of the ad hoc audits in 2018/19.

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

There are currently 8 (February - 13) outstanding actions. 8 (February - 12) are not yet due and 0 (February - 1) are overdue.

The Committee noted the good progress in clearing actions and that none were currently overdue.

All 8 actions are due to be cleared in the next 3 months.

### **Annual report**

There were a total of 13 assurance reports issued by TIAA in the year (2016/17–12). Two are awaiting management comment. None were rated red - no assurance, (2016/17 – none). 2 amber/red reports - limited assurance, (2016/17-6) have been issued and these relate to:

- Overseas patients
- IG Toolkit

Two reports gave substantial assurance (2016/17 - nil)

A summary of all the reports for 2017/18 is included in the Appendix

Recommendations (including those in the draft reports) fell into the following categories during the year

	Urgent	Important	Routine
2017/18	2	24	26
2016/17	7	23	34

The draft Head of Internal Audit opinion provides reasonable assurance that there is a generally good system of internal control, designed to meet the organisation’s objectives and that controls are generally being applied consistently. The two audits yet to be finalised are not expected to affect this opinion.

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

### **Annual report**

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

- The Self Review Tool resulted in an overall rating of amber – partly compliant. An action plan has been drawn up. The major action relates to completion of the Conflicts of Interest and Gifts and Hospitality registers. The Committee hope to see the Conflicts of Interest Register at its next meeting.
- A staff survey to measure the awareness of fraud received an 8.5% response (385). 85% of staff think the organisation supports and honest and open environment.
- 60 days of proactive activity were carried out in line with the plan.

## **7 Procurement and waivers**

The Committee received a report on the quarter 4 waivers, which included comparison with the other MSB Trusts. 60 waivers had been approved in the fourth quarter; seven of these were raised retrospectively. The level of reported waivers is higher in Southend than the other Trusts which is in part due to differences in the schemes of delegation.

## **8 Corporate risk register**

The Committee reviewed a summary of corporate risk register activity. There are 15 extreme rated corporate risks. Two new directorate extreme risks are currently under review before being elevated to the corporate risk register. The Committee also reviewed the High Impact Low Likelihood (HILL) risks. It was considered that these should be reviewed by SLT to confirm the likelihood was still low.

## **9 BAF review**

The BAF methodology was presented with no proposed changes. This was agreed.

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, although performance particularly in A&E and ophthalmology is improving. The current risk score was agreed.

## **10 Committee self-assessment**

The results of the Committee self-assessment were reviewed. Generally the review was positive. Next year it was agreed that the review will extend beyond committee members to both sets of auditors and attendees.

## **11 Areas for discussion**

- IG toolkit
- Head of Internal Audit opinion

## **12 Next steps**

- Annual report and other year-end reporting
- Review of Conflicts of Interest Register
- Progress with 2018/19 internal audit plan

## **13 Recommendations**

The Board is asked to note this report and receive assurance

## APPENDIX

Assignment	Opinion	Action Agreed by priority		
		Urgent	Important	Routine
HR Recruitment and Fit and Proper person Test	Reasonable	0	1	2
Mandatory Training	Reasonable	0	0	5
Financial Reporting and Budget Monitoring	Reasonable	0	1	1
Performance Reporting	Reasonable	0	2	3
Clinical audit	Reasonable	0	3	2
Cost Improvement Programme /QIPP	Reasonable	0	4	1
Board Assurance Framework (BAF) and Risk Management Arrangements	Substantial	0	1	2
Estates Management	Reasonable	0	2	2
Overseas Patients	Limited	1	2	2
IG Toolkit	Limited	1	2	0
Key Finance Systems	Reasonable	0	2	2
		2	21	22
Completion of Discharge Summaries - draft	Reasonable	TBC	TBC	TBC
Infection Control - draft	Reasonable	TBC	TBC	TBC