

Board of Directors' Meeting Report – 4 September 2018

Agenda item 55/18

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 24 July 2018
Previously considered at	N/A
Executive Summary	
<ul style="list-style-type: none"> • Internal audit programme slightly behind schedule but no undue concern at this stage. One report, reasonable assurance, issued to date. • Declaration of interests register requires further work and relevant staff need to be encouraged to complete forms. • BDO will issue their annual audit letter to Governors at the AGM in September. • Effectiveness reviews completed for both internal and external audit with no major concerns 	
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 Public Sector Internal Audit Standards.

3 Internal Audit

Progress report

One report has been finalised from the 2018/19 internal audit programme since the last meeting. Fieldwork had been completed on two reports and two further audits are in progress. The programme is slightly behind but schedule but anticipated to catch up by the end of quarter two.

Assignment	Opinion	Action agreed by priority		
		Urgent	Important	Routine
HR Recruitment and Retention	Reasonable	0	2	1

HR Recruitment and Retention – reasonable assurance. The review considered the controls around staff recruitment particularly establishment controls, advertising, vetting and issuing of contracts. The important actions relate to

- The evidencing of vacancies on TRAC and
- Appropriateness of KPI's

The Committee asked for more clarity on the management response to the point raised on KPI's.

Retention was not covered in this audit as it was felt to sit better as part of the work force utilisation audit scheduled for Quarter 2.

Internal Audit Recommendations follow-up

There are currently 13 (May - 8) outstanding actions. 8 (May - 8) are not yet due and 4 (May - 0) were overdue at the time TIAA submitted their report.

All the outstanding actions sit in finance and the Committee was informed that two are now complete. A third – relating to the bank mandate - will be complete once the mandate is updated to reflect the new finance director, Louisa Cowell, replacing Adrian Buggle. The final action relates to the evidencing of balance sheet/control account reconciliations. There have been some changes in personnel in this area and the Committee asked for progress to be reported at its next meeting.

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

TIAA Client Briefings

TIAA have issued two client briefings on current cyber issues. The Committee received a tabled update on the Trust's response to these and asked for a more formal cyber security update at its next meeting.

Internal auditor evaluation

The first assessment of the effectiveness of TIAA as internal auditors was carried out via a questionnaire. The results were presented and overall showed no areas for concern. The lowest scoring area was around the review and adaptation of terms of reference in light of current and future needs and this will be addressed.

It was disappointing that half the members of SLT who were sent the questionnaire did not return it.

4 Local Counter Fraud Service ("LCFS")

Progress report

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

- Bespoke fraud and bribery training had been delivered to finance and procurement. A presentation was also made to a Board Development day
- A final report has been issued relating to a review of declarations of interest. This is discussed more fully below.
- Work has commenced on a Fraud Risk Assessment for the Trust.
- There is one ongoing investigation relating to allegations made anonymously concerning the eligibility of a patient to free health care.

5 Declarations of interest

The declaration of interests registered was presented for review. Only 38% of those requested to complete declaration of interest forms (400 in total) have done so for 2016/17. Forms for 2017/18 will be sent out shortly. The LCFS report identified a number of interests that should have been declared but were not. There is no evidence of false declaration, rather failure to declare.

The Committee discussed how the position can be improved and it was felt that until NHS England have agreed the sanctions that will apply for non-declaration, the Trust can only keep re-enforcing its policy.

6 External Audit

Annual Audit letter

BDO presented a draft of their annual audit letter which will be issued to governors at the AGM. This details the work done and conclusions reached on

- The audit of the financial statements including the remuneration disclosure
- The arrangements for securing economy, efficiency and effectiveness in the use of resources, and;
- The quality report

and is uncontentious

A few minor corrections will be made before the final report is issued.

External Audit Effectiveness

The first assessment of the effectiveness of BDO as external auditors was carried out via a questionnaire. BDO audit all three MSB Trusts. The results were presented and overall showed a high degree of satisfaction. Some concerns were expressed on the efficiency of the work in relation to the disclosures which affected all three Trusts. This will be covered as part of the planning for this year's audit.

7 Write offs

The Committee received the quarter 1 write-offs report. Minimal write offs were made in the period and related to old overseas patient debtors and old salary over payments. The total impact on the income and expenditure accounts is under £4k. Although the salary over payments arose a number of years ago the Committee agreed that the financial system audit later in the year should review the controls in this area.

Pharmacy stores losses in the first quarter were high at £135k. Over half of this total arose due to the failure of a chiller. Management are reviewing preventative measures including chiller replacement.

8 Corporate risk register

The Committee reviewed a summary of the extreme rated corporate risks. There are 17 approved extreme rated corporate risks with candidate risk forms awaited for four more. All risks were reviewed by SLT in June 2018. SLT also reviewed the 19 high impact rare likelihood risks and the 5 high impact unlikely to happen risks.

9 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. The current risk score was agreed. However it was noted that by the end of July most of the gaps in control should be addressed and we are beginning to meet or exceed the approved trajectories against certain standards. Once new processes are bedded in we might see some downward movement on the risk score.

10 Areas for discussion

- Declarations of interest
- Annual Audit Letter

11 Next steps

- Cyber security update
- Progress with 2018/19 internal audit plan
- Reference costing

12 Recommendations

The Board is asked to note this report and receive assurance