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Report from Audit and Assurance Committee meetings on 18 and 23 May

Presented by:	Trevor Higgins, Non-Executive Director and Vice-Chair of the Audit & Assurance Committee	Author:	Barrie Senior, Non-Executive Director and Audit Committee Chairman
Previously considered by:	N/A		

Key points	Purpose:
This paper provides a summary of the key matters that were discussed at the meetings of the Audit and Assurance Committee held on 18 and 23 May 2018.	To note and gain assurance

Executive Summary
<p>The principal purpose of the meetings in May was to receive, consider, challenge and be satisfied with the various key reports linked with the Trust's financial year end.</p> <p>In the 18 May meeting, the Committee considered, discussed and, where appropriate, gained assurance regarding:</p> <ul style="list-style-type: none"> • The draft 'Report to those charged with governance' (ISA260) provided by Deloitte, External Auditors relating to their year end audit activities and results • Progress in the production of the Trust's Quality Report • The latest Counter Fraud Progress Report, the Counter Fraud Annual Report 2017/18 and the Local Counter Fraud Specialist Risk Assessment 2018/19. • The latest Internal Audit Progress Report • Latest progress in the follow up actions by management in response to previous Internal Audit findings and recommendations • The draft Internal Audit Annual Report 2017/18 and Head of Internal Audit Opinion 2017/18 • The draft Annual Governance Statement 2017/18, presented by the Trust Chief Executive as the Trust's Accounting Officer • The draft Annual Accounts for the year ended 31 March 2018 • The draft Annual Report and Quality Report 2017/18 • The High Priority Clinical Audit Plan 2018/19 <p>In the 23 May meeting, the Committee:</p> <ul style="list-style-type: none"> • Received, discussed, challenged and accepted the final version of the External Auditors' Report to those charged with governance (ISA260) • Completed its review and consideration of the Trust's Annual Accounts for the year ended 31 March 2018, concluding that it was appropriate to recommend to the Trust Board that the accounts be approved and signed.

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- Completed its review and consideration of the Annual Report and Quality Report for 2017/18 and the process by which they had been developed and challenged elsewhere, by executive management, by External Audit, by the Quality Committee and by external stakeholders. The Committee concluded that it should recommend that the Trust Board approve the Annual Report and Quality Report.
- Reviewed and discussed the draft letter of representation required by the External Auditors which, after minor amendments, the Committee considered appropriate for signature on behalf of the Board by the Accounting Officer.
- Reviewed and discussed a revised version of the Annual Governance Statement and concluded that it could recommend that the Board approve the document
- Received a further Internal Audit Progress report, confirming the conclusion of all work related to the 2017/18 Internal Audit Plan
- Considered and approved a final version of the Internal Audit Annual Report 2017/18 and the Head of Internal Audit Opinion 2017/18.

Financial implications:

No

Regulatory relevance:

Monitor:

Quality Governance Framework

Risk Assessment Framework

Equality Impact / Implications:

Is there likely to be any impact on any of the protected characteristics?

(Age, Disability, Gender, Gender Reassignment, Pregnancy and Maternity, Race, Religion or Belief, Sexual Orientation, Health Inequalities, Human Rights)

Yes ☐ No ☒

If yes, what is the mitigation against this?

Other:

CQC compliance

Strategic Objective:

Reference to Strategic Objective(s) this paper relates to

To provide outstanding care for patients

To deliver our financial plan and key performance targets

To collaborate effectively with local and regional partners

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Audit and Assurance Committee meetings on 18 and 23 May

1. Introduction

The purpose of this paper is to inform the Board of Directors of the key matters discussed during the Audit and Assurance Committee meetings held on 18 and 23 May 2018.

2. Key Matters discussed

The key matters discussed during the course of the two meetings were as follows:

2.1 External Audit Report

The Committee discussed and gained assurance from the final version of the External Audit 'Report for those charged with governance' (ISA 260) which confirmed that the auditors:

- had substantially completed all of their planned work, including reaching satisfactory conclusions with regard to the 2017/18 financial statements in respect of:
 - revenue recognition
 - accounting for EPR impairment
 - going concern
- had not identified any significant audit adjustments or disclosure deficiencies
- were able to issue an unmodified audit opinion, and with no reference to any matters in respect of the Trust's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.
- had substantially completed their work on the Quality Report 2017/18, and satisfied themselves as to:
 - the content of the Report being in line with requirements
 - the contents being consistent with other information sources

As regards the mandatory and local quality indicators:

- A&E four hour waits – no issues identified
- Referral to Treatment – qualification was required due to issues with the reliability of data arising from the implementation of EPR (Electronic Payment Record)
- Ambulance handovers longer than 30 minutes – although the auditors were not required to form a conclusion in respect of this local indicator, were they to do so, they would have been unable to issue an unmodified opinion, due to lack of completeness and accuracy of data. (The Committee will receive a progress report in respect of the latter two items at its 7 August meeting.)

2.2 Final Annual Accounts 2017/18

Based upon earlier scrutiny and discussion of the draft accounts, the receipt of satisfactory responses to the (minor) matters raised by the Committee, and the

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assurance provided by External Audit, the Committee was able to recommend to the Board that the accounts should be approved and signed.

2.3 Annual Report 2017/18 and Quality Report 2017/18

Based upon:

- review by the Committee
 - review by External Audit
 - consideration of the rigorous process undertaken in the preparation, independent review and finalisation of the Reports
 - the assurance in respect of the Quality Report provided to the 23 May meeting by the Trust's Quality Committee
 - satisfactory responses to the (minor) matters raised by the Audit Committee
- the Committee resolved to recommend to the Board that it receive, accept and approve the Annual Report 2017/18 and Quality Report 2017/18.

2.4 Draft Letter of Representation

After enquiry of the Director of Finance, and subject to minor wording changes, the Committee resolved that it should recommend to the Board that the letter be signed on behalf of the Board and provided to the External Auditors.

2.5 Internal Audit Progress Report

Internal Audit presented their progress report reflecting the completion (subject to the agreed deferral of certain reviews into 2018/19) of the 2017/18 Internal Audit Plan.

Audit Report Summaries: The Committee considered, discussed and derived assurance from each of the nine audit reports that had been agreed with management since the April Audit and Assurance Committee meeting:

BH/38/2018 - Board Assurance Framework (BAF) – no opinion planned or given

The review confirmed that the Trust's BAF is fit for purpose, of a suitable format and structure and is regularly reviewed and updated by the Board and Board Committees, and includes details of assurances to the Board that strategic objectives are achievable. The intention further to develop the Trust's assurance framework during the coming year was noted.

BH/39/2018 - Clinical Service Strategy – Significant Assurance

The review confirmed that the Trust has systems and processes in place to support the implementation and delivery of its Clinical Service Strategy. Internal Audit noted that the strategy was still in its infancy and so assurance was not yet available with regard to performance management and reporting.

The report noted that the strategy had been translated into divisional and directorate level operational plans with priorities identified for the next three years, but that these were still in draft.

BH/40/2018 – Patient Safety – Prescription Handling and Dispensing – Significant Assurance

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The review confirmed that the Trust generally has satisfactory controls in place for handling of prescriptions and the dispensing of medicines to patients.

However:

- One instance of a lack of final check signature was discovered in the course of the audit.
- Risks assessments are not being formally recorded when changes to procedures are made
- Key performance indicators have yet to be introduced to allow monitoring and reporting of aspects of the dispensing process.

It was noted that a separate audit relating to controlled drugs is included in the Internal Audit three year plan.

BH/41/2018 – Centralised Patient Booking Service – Significant Assurance

The purpose of the review was to provide assurance that adequate controls are in place to ensure compliance with the access policy and that referral management procedures are adhered to. Only minimal areas of concern were identified.

BH/42/2018 – Follow Up of Internal Audit Recommendations – no opinion planned or given

This report, separately included in the 18 May meeting agenda, provided a satisfactory update as to progress in responding to audit recommendations. The Committee challenged the continuing validity of the small number of recommendations still outstanding from prior years and was reassured that they remained relevant and were being progressed at appropriate speed. Internal Audit undertook to review progress with longer outstanding recommendations and form and report a view.

BH/43/2018 – Patient Level Information Costing System (PLICS) – Significant Assurance

The review confirmed that the system has been well designed and enables income and costs to be allocated to specialty and patient level effectively and accurately. Internal Audit noted that the system is not yet fully implemented, but that good progress is being made.

The Finance Director reaffirmed his view as to the benefits both already being seen and in prospect from this system.

BH/44/2018 - Waste Management Follow Up – Limited Assurance

The Chief Operating Officer and the Head of Facilities attended the 18 May meeting to discuss and take questions on progress in this area, which was the subject of a 'no assurance' internal audit report earlier in 2017/18.

The Committee was pleased to note that improvements had been made, albeit more slowly than first committed to, and progress was continuing in this difficult but important area. As part of this, the matter was to be the subject of further scrutiny at an Executive Management Team meeting in June.

BH/45/2018 – Data Warehouse; Benefit Realisation – Significant Assurance

The purpose of this audit was to provide assurance that the Trust is achieving the benefits identified in the business case for the data warehouse. The review had determined that seven of the nine identified benefits have been fully achieved but that

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there was insufficient evidence to confirm achievement of the remaining two. Remedial actions have been committed to, for completion by September.

BH/46/2018 – Financial Transactions – Significant Assurance

This audit was designed to provide assurance regarding the processes for effecting, recording and controlling financial transactions within the Trust. The overall conclusion was that the processes work effectively.

A number of 'moderate' and 'minor' recommendations arose from the audit, all of which are planned to be addressed by 31 December. The 'moderate' recommendations related to:

- Pharmacy invoices being raised in a more timely manner
- The more timely review of sales orders to help to ensure the completeness and timeliness of invoicing
- Extending the use of purchase orders across the Trust, potentially to a full 'Purchase to Pay' system
- Pharmacy needing to commit to timely improvement to user level system access controls
- Divisions and Departments to more diligently assist in compliance with the Better Payment Practice Code to ensure timely payment of supplier invoices.

Draft reports

At the 18 May meeting, the Committee was advised that the remaining three reports required to complete the 2017/18 Internal Audit plan were still in final draft form awaiting management agreement:

- Staffing Utilisation
- Clinical Coding
- Patient Readiness for Theatre

At the 23 May meeting, Internal Audit confirmed that all three reports had been finalised and agreed, with Significant Assurance opinions in each case. (These three Reports will be formally considered by the Committee during its August meeting.)

2.6 Internal Audit Annual Report 2017/18 and Head of Internal Audit Opinion 2017/18

The Committee reviewed, noted, discussed and derived assurance from the Report and Opinion.

Based upon the internal audit work undertaken during and in respect of 2017/18 the Head of Internal Audit:

- was able to provide Significant Assurance that there is, within the Trust, a generally sound system of internal control designed to meet the Trust's objectives, and that controls are generally being applied consistently.
- noted that internal audit work had identified some weaknesses in the design and/or application of controls which could put particular objectives at risk.

The opinion statement recaps the audit areas in which less than significant assurance was available during 2017/18:

- MRSA follow up
- Cost Improvement Plan
- Private patients

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- Intravenous cannulation
- Consent: human tissue
- Waste segregation/management
- Cash handling
- Short stay ward
- Clinical audit (Divisional)
- Business continuity

The Audit Committee will seek updates and assurance improvements in each of these areas during 2018/19.

2.7 Annual Governance Statement 2017/18

Having reviewed and considered the draft document, the Committee received a presentation from the Trust Chief Executive, as the Trust's Accounting Officer, regarding the contents of the Annual Governance Statement.

Subject to a small number of changes being requested and made, the Committee concluded that the Statement accurately and sufficiently reflected matters to be included therein.

2.8 'Assurance: the way forward'

The Director of Governance and Corporate Affairs provided, for information, the Committee with the outline plan to optimise the assurance that underpins our annual governance statement during 2018/19.

2.9 Counter Fraud

The Committee considered and derived assurance from the latest Counter Fraud Progress Report and the Counter Fraud Annual Report 2017/18.

The Committee noted and discussed the Local Counter Fraud Service Risk Assessment 2018/19 and its interlink with the recently finalised 2018/19 Counter Fraud Plan.

2.10 High Priority Clinical Audit Plan 2018/19

The Committee received and noted the plan which had previously been presented to and considered by the Divisional Quality & Safety Committee, the Clinical Audit & Effectiveness Committee, the Executive Management Team and the Quality Committee.

The Committee noted and was reassured by the plan further to centralise clinical audit so as to facilitate improved, more efficient ways of working.

3. Other matters

3.1 Audit and Assurance Committee Annual Self-Assessment

The Committee recently met to compare and discuss their individual responses to the HFMA Audit Committee self-assessment questionnaires. There was a high degree of consensus. A draft report, incorporating suggested resultant changes to the

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Committee's terms of reference and annual workplan, will be considered at the 7 August Audit Committee meeting. In final agreed form this report will then be presented to Board.

3.2 Audit Committee Annual Report 2017/18

At its 7 August meeting, the Audit Committee will finalise its Annual Report 2017/18, then to be presented to the Trust Board.

3.3 Matters to escalate to Corporate Risk Register

None.

3.4 Matters to escalate to the Board of Directors

The Committee's views and recommendations regarding the various year end reports were conveyed to the Board in its 24 May meeting.

4 Recommendation

The Board of Directors is asked to note this report and the reassurance and assurance that it provides.