

**AUDIT COMMITTEE**

Key summary points from the meeting held on **Friday 7 December 2018**:

**1. Terms of Reference – annual review**

The Committee approved the Terms of Reference. This included statement of overarching assurance to the Trust Board, in that it would review the work of other committees within the Trust which provide relevant assurance to the Audit Committee's own areas of responsibility – particularly Quality Committee, Workforce Committee, Performance Committee and Sustainability Committee.

**2. Internal Audit Progress**

The overall programme of work had been re-prioritised to include Never Events and Report Writing Workshop. It was noted that IA18/19PR003 Quality Indicators – A&E has been postponed until further notice to accommodate the Never Events review and confirmed that the work plan was on schedule. See Appendix A for further detail

**3. Internal Audits**

Six audits were submitted:

<b>Audit</b>	<b>Opinion</b>	<b>No of Recommendations</b>	<b>Committee</b>
Income & Debtors	Moderate	1 high; 2 medium; 1 low	Performance
Payments & Creditors	Substantial	0 high; 2 medium; 0 low	Performance
Payroll	Substantial	1 high; 2 medium; 2 low	Performance
Cash & Treasury management	Limited	2 high; 2 medium; 2 low	Performance
Review of Never Events (Final Draft)	Limited	3 high; 6 medium; 8 low	Quality

The main theme of the financial reports was the risk to cashflow emanating from the difficulties in recruiting permanent medical and nursing staff within A&E. The committee agreed that a balancing conversation was needed with respect to financial concerns, service quality and workforce recruitment. Concern was raised as to the absence of rigour in implementing recommendations regarding Never Events as evidenced by the findings of the review. The report author will be reporting the finding directly to the Trust Chair and CEO.

**4. Cross-committee representation**

The Committee Chair raised concern around the assurance that actions delegated from the Audit Committee were being satisfactorily followed through by other tier 2 committees. It was agreed that representation from Quality Committee should augment the current membership of tier 2 representatives, and report annually to the Audit Committee, with a formal standing agenda item listing progress on all delegated actions. The chair took an action to agree with other tier 2 committee chairs to agree a protocol on ensuring assurances processes were robust in all such committees

**5. Local Counter Fraud Report**

The report highlighted:

- that disclosures and declarations are above average compared to other clients.
- the issue of locum employment regulations which was being progressed with the Workforce Director.

The Chair thanks the LCFO for her diligence in writing such a comprehensive report.

**6. External Audit update**

John Cornett from KPMG announced that this would be his final SaTH Audit Committee as he is leaving KPMG presently, and his successor would present the future external audit plan. An area of concern was that the value-for-money conclusion for 18/19 would likely 'track down' and would

need careful consideration on how this was presented within the annual governance statement at year end. The likely 'fully adverse' opinion is due to:

- Recent CQC Report/Rating
- Maternity review
- Unauthorised expenditure in excess of the control total
- Cash position

The Chair thanked John for his contribution and service the Trust over a number of years and wished him well in his new endeavors.

**7. Board Assurance Framework**

The Director of Corporate Governance noted that the CQC had been critical of the Trust's BAF and would seek clarification on how it could be improved, noting that the current process had received substantial assurance from Internal Audit for the last six years. Improvements are to be developed by the Board at a forthcoming development session.

**8. Recommendation Tracking**

The report highlighted 15 requests for extension to target dates within Q4 18/19. Extensions were accepted with the caveat that the lead director must attend the next Audit Committee should there be any failure to deliver the action by its extended target date. Actions relating to IT Controls had extensions requested to Q1 19/20. The Deputy Finance Director articulated the latter request which was due to significant resource issues. The Chair committed to escalating these issues with the CEO as a matter of urgency.

Chair of Audit Committee  
December 2018

The table below provides an overview of the Internal Audit Plan for 2018/19 together with the assurance ratings from Internal Audit work delivered in the prior year. Those reported on at the Dec 7 2018 Audit Committee are marked \*

Review Area	Deloitte Risk Rating	2017 / 8 Rating	V Prior year	2018 / 9 Rating, ('-' = not yet reported)	Scope / Comments as at time of Audit Committee (7/12/18)
<b>Governance statement: Integrated governance and risk management</b>					
Board Assurance Framework	Medium	Substantial	N/A	-	Key controls over BAF and Risk management - <b>Planned Q4 2019</b>
<b>Core Internal Audits - Financial Control and Management</b>					
Waste Reduction Programme	Medium	Not audited	N/A	-	Key controls over Trust's WRP scheme <b>Work completed and draft report issued to management - not yet reviewed by AC</b>
Cash Management and treasury *	Medium	Moderate	↓	Limited	<b>All Complete</b> - Feedback provided in the Feb 7th 2019 report from the Audit Committee Chair to the Trust Board
Income and Debtors *	Medium	Moderate		Moderate	
Payments and Creditors *	Medium	Substantial	=	Substantial	
Budgetary Control	High	Limited	N/A	-	Follow up on areas highlighted in 17 / 18 review and High Priority items from the Care Groups Governance Review - <b>Planned Q4 2019</b>
<b>Core Internal Audits - other</b>					
Payroll *	Medium	Substantial	=	Substantial	Review of key controls regarding the payroll process
IT Controls	High	Moderate	N/A	-	General Computer Controls <b>Review in Progress</b>
<b>Risk Based Performance Reviews</b>					
Complex Discharge Management	High	N/A		-	Review of complex discharge management processes <b>Review in Progress</b>
Business Cases	High	N/A		-	Review of trusts business case process <b>Planned for Q3 /Q4</b>
Never Events	High	N/A		Limited (draft only)	Review of Trust's process for investigating and learning from never events - <b>Draft Report Issued pending management feedback</b>
Training on Board Reporting	High	N/A		-	Training requested by the trust following well led review
Follow Up	High	N/A		-	Follow up on high priority items from previous audit programmes
Care Group Governance	Medium	Moderate			Review of the adequacy and effectiveness of governance arrangements at Care Group Level - <b>Completed &amp; issued in Sept 18 - part of the 17/18 Audit programme</b>