

## AUDIT COMMITTEE (AC)

Key summary points from the meeting held on **Friday 24 May 2019**:

### 1. Internal Audit (IA) Progress Report and Internal Audit Plan 19/20

The Head of Internal Audit (HoIA) presented the report which provided a summary of progress with respect to the Trust's Internal Audit Plan for 2018/19 (see Appendix A) and also the draft audit plan for 2019/20. The proposed forward plan included the schedule for mandated core audits (WRP / Budgetary, BAF, Cash Management, Income and Debtors, Payments and Creditors, Fixed Assets and IT controls) over 100 days and a number performance reviews:

- Workforce – recruitment process
- Ward to Board Reporting assurance
- Datix Risk Management
- Complex Discharge Management – Follow-up
- Never events – Follow-up

In discussion, it was agreed that a Freedom To Speak Up (FTSU) review should also be included within the plan.. The Audit Committee concluded that it made sense to include FTSU as a priority and push back the two follow-up reviews to no later than Q1 20/21, as many of the improvements currently being implemented will take some time to embed. This approach would also ensure the plan remained within the agreed performance audit budget (100 days) for the year.

#### Internal Audits

One audit report was presented at the meeting for Budgetary Control and Financial Reporting . The Audit Committee had received a draft in April and this was the final version, confirmed as limited assurance, with management responses and agreed actions. Details of this report were presented in the AC summary presented to the board on May 2<sup>nd</sup>.

#### Head of Internal Audit Opinion

Based on the plan of work undertaken in year, the HoIA confirmed and formally stated the following opinions of the Trust for 2018/19:

- Overall – Limited assurance based on the core audits in 18/19 and the financial position of the trust (17/18 - Moderate)
- Assurance Framework is sufficient to meet the requirements of the 2018/19 AGS – Moderate assurance (17/18 Substantial)
- Adequate and effective system of internal control – Moderate assurance (17/18 Moderate)

The HoIA also emphasized the need for audit recommendations to be delivered in a timely manner and be embedded. In order to improve the overall limited assurance to at least the prior year level of moderate the audit recommendations in the core audits need to be addressed fully and the financial situation improved. There are a number of actions to place a focus on Senior Leadership Team and Executives engagement in the audit process.

### 2. Improving engagement with the SLT and Exec in relation to the Internal Audit process

The AC Chair updated the Committee on developments and actions to improve implementation of IA recommendations. Actions agreed with the CEO were:

- Final reports once agreed will be formally signed off by the executive sponsor. This should ensure audit actions, management responses and importantly timelines are signed off at the appropriate level by the

relevant member of the Executive team who will have a wider appreciation of resource, priority and other issues that may affect the way an audit recommendation is approached

- CEO to include in individual annual personal objectives in 19/20, for Executive team members, an objective relating to internal audits
- An agenda item will be included once a month in SLT meetings, led by the CEO

The current SOP has been amended and timescales added to give Exec / SLT clarity and formalise expectations. Reporting is to be included at Audit Committee to show performance against agreed timelines. This will be shared with the Executive team in order that performance against objectives can be measured. All of the proposed process changes were supported by the Trust's auditors and subsequently approved by the Audit Committee.

### **3. Expanding the remit of the Audit Committee to include Risk Assurance**

The Chair of the Trust asked the Audit Committee (AC) Chair to consider expanding the remit of the AC to include risk. Initial discussions have narrowed this down to focus on risk assurance as there are strategies already in place to manage risk. It is not proposed that this assurance work supersedes the current risk strategy - it is to enhance this by providing further assurance.

It was agreed:

- That the first meeting of the renamed Audit and Risk Assurance Committee be held at the next planned meeting in September
- This meeting would include a review of ToR and the risk management strategy to propose any necessary changes as a result of the expanded remit
- To communicate with and to ensure there was clarity between the work of this committee, other tier 2 committees and other risk related committee's in the trust such as the operational risk group

### **4. External Audit update / ISA 260 Report**

KPMG presented the audit of the Trust's Financial Statements and the Value for Money (VFM) of the Trust for the year ended 31 March 2019.

- We are pleased to report there was an unqualified opinion for the Financial Statements,.
- The report also concluded on a qualified VFM opinion as the auditor was not satisfied that, in all significant respects, the Trust had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year. The basis for this adverse VFM conclusion was the inadequate rating by the CQC, the deficit position of the Trust in the year and cumulatively and the failure to meet a number of operational targets, in particular the accident and emergency and 62 day cancer target.

The Audit Committee Chair was satisfied with the Financial statements opinion but expressed disappointment at the VFM opinion. The KPMG team were commended for their diligence and the quality of their report

### **5. Audit Committee review of the Annual Accounts; Annual Report; Annual Governance Statement and Management Representations letter**

The Committee considered these documents which had already been examined by the External Auditor, and no significant issues were identified. In addition the Audit Committee had previously held a special meeting to review these documents in detail and were satisfied at this meeting that all matters raised and amendments requested had been satisfactorily dealt with. The Audit Committee approved the three documents and recommended that they should be approved for submission to NHSI by the Board. Some minor (non-material) amendments to the Annual Report were requested and it was agreed that these would be included in the final versions being published on the public website in July. The auditors confirmed they were satisfied with this. In addition the Management representations letter was reviewed and the audit committee were satisfied that these representations were correct and therefore it recommended this should be signed

6. **Security Annual Report**

The report was noted. The Audit committee commended the security team and the services provided and noted the high levels of assurance given through the report

7. **BAF**

The BAF was reviewed and noted

8. **Recommendation Tracking**

Extensions to target dates had been requested for five high priority recommendations, with four relating to Pharmacy documentation and significant changes in practice. The Audit Committee was assured that the requests were reasonable, and the extensions were approved.

9. **Contract extension for KPMG - External Audit**

The proposal to extend the contract with KPMG as the Trusts External Auditor for a further 12 months was approved by the committee.

**Name of Chair:** Tony Bristlin

**Date report prepared:** 24 May 2019

## APPENDIX A

Review Area	Deloitte Risk Rating	2017/18 Rating	Dir	2018/19 Rating	Summary comments
<b>Governance statement: Integrated governance and risk management</b>					
Board Assurance Framework	Medium	Substantial	▼	Moderate	Key controls over BAF and Risk management <b>Completed</b>
<b>Core Internal Audits - Financial Control and Management</b>					
Waste Reduction Programme	Medium	Not audited	N/A	Limited	All Core Financial Audits <b>Completed</b>
Cash Management and treasury	Medium	Moderate	▼	Limited	
Income and Debtors	Medium	Moderate	=	Moderate	
Payments and Creditors	Medium	Substantial	=	Substantial	
Budgetary Control and Financial Reporting	High	Limited	=	Limited	
<b>Core Internal Audits - other</b>					
Payroll	Medium	Substantial	=	Substantial	Review of key controls regarding the payroll process <b>Completed</b>
IT Controls	High	Moderate	=	Moderate	General Computer Controls <b>Completed</b>
<b>Risk Based Performance Reviews</b>					
Complex Discharge Management	High	N/A		Limited	Review of complex discharge management processes <b>Completed</b>
Business Cases	High	N/A		-	Review of trusts business case process <b>Not completed in-year - planned for Q1 19/20</b>
Never Events	High	N/A		Limited	Review of Trust's process for investigating and learning from never events <b>Completed</b>
Training on Board Reporting	High	N/A		N/A	Training requested by the trust following Well Led review (Deloitte)cc <b>Completed as part of additional in-year support</b>
Follow Up	High	N/A		N/A	Follow up on high priority items from previous audit programmes. <b>Completed as part of additional in-year support</b>
Care Group Governance	Medium	Moderate		N/A	Review of the adequacy and effectiveness of governance arrangements at Care Group Level - <b>Completed in Sept 18 - part of the 17/18 Audit programme</b>