

### Audit and Risk Assurance Committee ('ARAC') Summary

The Board is asked to **RECEIVE** and **NOTE** the Committee Chair's report of the 3-4 issues/key points from the meeting which are needed to be escalated to the Board

| <b>Key points from the meeting held on 6<sup>th</sup> December 2019</b>  |  |
|--|--|
| <b>Cash &amp; Treasury Management Internal Audit report</b>  |  |
| <p>This report has been issued with limited assurance, the same as the prior year. This is based primarily on 2 high and 2 medium priority recommendations. Management are focused on addressing the points raised. One of the recommendations in respect of the forecast loan drawdown in year and the future repayment of debt is more long term and strategic in nature. To the extent that this risk is not entirely within the control of the trust work will be undertaken with NHSE/I. Actions are in hand to address those matters within this recommendation that are within the control of the Trust. The limited assurance opinion ongoing may impact on the annual Head of Internal Audit Opinion ("HoIA"), however, the FD and Deloitte will agree the approach prior to finalising the HoIA. The FD will ensure the strategic risk (BAF 670) accurately reflects this.</p> |  |
| <i>Level of assurance provided:</i> <b>Low</b>   | <i>Direction of travel:</i> <b>Same</b>      |
| <b>Medical Waiting List Initiatives ('WLI') and Annual Leave Audits</b>  |  |
| <p>i) The Medical Director ("MD") updated the ARA on Medical Leave. The key issue is to book annual leave through an electronic system (Allocate) This requires an additional module to be added to the current system. The MD will raise the priority of this with Executive team and other required governance in the Trust.</p> <p>ii) WLI is more complex and not standardised across the Trust. The MD reported that he will be reviewing policy to 'tighten up' the process and harmonising the payment range – a similar issue with locum consultant rates. All changes will need to be renegotiated with LNC.</p>  |  |
| <i>Level of assurance provided:</i> <b>Low</b>   | <i>Direction of travel:</i> <b>Same</b>      |
| <b>Tracking Recommendations of Open / Overdue Internal Audit points</b>  |  |
| <p>The Committee was pleased to note an improved position on closed recommendations. The COO updated the Committee on closed recommendations within operations, mostly around Pharmacy where a new policy went to the Quality &amp; Safety Committee in November and there is an ongoing audit plan to ensure embeddedness.</p> <p>There were three overdue high priority recommendations. One was requested to be superseded and two further requests for extensions until 28 Feb-20 which were agreed to. There were no overdue medium or low priority recommendations.</p>  |  |
| <i>Level of assurance provided:</i> <b>Moderate</b>  | <i>Direction of travel:</i> <b>Improving</b> |

| Internal Audit opinions to date and prior year comparisons   |                |                                  |                |                |
|--|----------------|----------------------------------|----------------|----------------|
| Review Area  | IA Risk Rating | 2017/18 Rating                   | 2018/19 Rating | 2019/20 Rating |
| <b>Governance statement: Integrated governance and risk management</b>   |                |                                  |                |                |
| Board Assurance Framework  | Medium         | Substantial                      | Moderate       | tba            |
| <b>Core Internal Audits - Financial Control and Management</b>   |                |                                  |                |                |
| Waste Reduction Programme  | Medium         | Not audited                      | Limited        | n/a            |
| Cash and Treasury Management   | Medium         | Moderate                         | Limited        | Limited        |
| Income and Debtors   | Medium         | Moderate                         | Moderate       | Moderate       |
| Payments and Creditors   | Medium         | Substantial                      | Substantial    | Substantial    |
| Budgetary Control  | High           | Limited                          | Limited        | tba            |
| Fixed Assets   | Medium         | Not audited                      | Not audited    | Moderate       |
| <b>Core Internal Audits - Other reviews</b>  |                |                                  |                |                |
| Payroll  | Medium         | Substantial                      | Substantial    | Substantial    |
| IT Controls  | High           | Moderate                         | Moderate       | tba            |
| <b>Risk Based Performance Reviews</b>  |                |                                  |                |                |
| Complex Discharge Management   | High           | n/a                              | Limited        | n/a            |
| Business Cases   | High           | n/a                              | Limited        | n/a            |
| Never Events   | High           | n/a                              | Limited        | n/a            |
| Care Group Governance  | Medium         | Moderate                         | n/a            | n/a            |
| <b>Other - training and support</b>  |                |                                  |                |                |
| Training on Board Reporting  | High           | n/a                              | n/a            | Complete       |
| Notes -  |                |                                  |                |                |
| <ul style="list-style-type: none"> <li>• 'tba' means report had not been issued as the time of ARAC meeting, n/a means no audit was conducted or planned.</li> <li>• There are 4 risk based performance reviews currently either in progress or planned for Q4 - these are Workforce recruitment processes, ward to Board reporting, Datix Clinical Management and Freedom to speak up.</li> </ul> <p>It was also noted that the Internal Audit and Local Counter Fraud Services currently provided by Deloitte are due for renewal from 31st March 2020 and a tender process has been initiated in Q4</p> |                |                                  |                |                |
| <b>Level of assurance provided: Moderate</b>   |                | <b>Direction of travel: Same</b> |                |                |

| <b>External Audit</b>   |                                  |
|---|----------------------------------|
| <p>KPMG provided an update on their plan for the 2019/20 'external' audit which included how the audit is conducted, materiality levels, the significant risks considered and areas of audit focus, :</p> <ul style="list-style-type: none"> <li>• Financial statements</li> <li>• Value for money</li> <li>• Quality Account opinion</li> </ul> <p>In addition KPMG provided an update on the following:</p> <ul style="list-style-type: none"> <li>• New accounting standard (IFR16 – accounting for leases) and our readiness for its implementation from 1<sup>st</sup> April 2020. The committee were satisfied with progress to date</li> <li>• A KPMG external Benchmarking report (forwarded to Performance Committee)</li> </ul> <p>It was also noted that the External Audit Services currently provided by KPMG are due for renewal from 31st March 2020 and a tender process has been initiated in Q4</p> |                                  |
| <i>Level of assurance provided: High</i>  | <i>Direction of travel: Same</i> |

| <b>Risk Assurance</b>   |                                  |
|---|----------------------------------|
| <ul style="list-style-type: none"> <li>• Recommendations for development of the BAF have been drafted and were considered by the Committee. The revised version is referred to the Trust Board for approval.</li> <li>• The Director of Transformation and Strategy addressed the Committee to outline the function of the newly formed Operational Performance Delivery Group (OPDG) and how it will address operational risks classified as high or very high.</li> </ul> |                                  |
| <i>Level of assurance provided: Moderate</i>  | <i>Direction of travel: Same</i> |

**Completed by:** Tony Bristlin, Chair of Audit and Risk Assurance Committee  
**Date:** 6 December 2019