Title | Audit Committee Chairman’s Report

| Status | For discussion |
| History | This is a regular report to the Board |

| Board Lead | Mrs Anne Tutt, Committee Chairman |
| Key purpose | Strategy | Assurance | Policy | Performance |
A. Introduction

The Audit Committee met on 5 September 2016. The main issues raised and discussed at the meeting are set out below.

B. Significant issues of interest to the Board

The following issues of interest have been highlighted for the Trust Board:

1. The Trust’s internal auditors [KPMG] reported on the work that had been undertaken as part of the Internal Audit Services to the Trust. Further internal audit reports that had been issued included the following:

   - Clinical Audit – significant assurance with minor improvement opportunities
   - Quality Governance – significant assurance with minor improvement opportunities
   - Patient Pathways – significant assurance with minor improvement opportunities
   - Medicines Management – partial assurance with improvements required

2. It was noted that KPMG had been requested to attend three Divisional Clinical Governance meetings to interview key staff and review the structure. These meetings were noted to be well planned and organised with the Divisions making good use of the Clinical Governance Team and Risk Practitioners.

3. A progress report was received from external auditors Ernst & Young and assurance was provided that the audit plan for 2016/17 aligned with the Committee’s service expectations. The proposed timetable of work will see an Audit Report produced in May 2017, an Audit Certificate in May 2017 and a Letter to Governors in September 2017.

4. The Committee received the Annual Audit Letter for the year ended 31 March 2016; issued by the Trust’s external auditors, Ernst & Young in July 2016. It was noted that Ernst & Young had provided an unqualified opinion on the financial statements for the Trust in respect of the period 1 April 2015 – 30 September 2015 as an NHS Trust, and for the period 1 October 2015 – 31 March 2016 as a Foundation Trust.

5. A progress report was presented in relation to Counter Fraud, which reflected a significant increase in the number of referrals being made compared to previous years - a total of 17 referrals had been made, of which 10 had been closed by way of preliminary enquiries. This was considered to have stemmed from the “Inform and Involve” work undertaken and the Local Counter Fraud Specialists [LCFS] relationship with HR.

6. The Chief Finance Officer presented an update on progress made in respect of implementation of Internal Audit recommendations. The predicted position at the end of August 2016 was that of the 426 KPMG recommendations on the tracking database: 80% would have been implemented, 16% were not yet due (which included temporarily the 15 recommendations from the two reports issued by KPMG without a management
response) and 4% or 15 recommendations were potentially overdue, as they were due to be implemented by the end of August 2016 or before.

7. The Committee received an update on Project Earth, following instruction of an external company tasked with looking at improving governance of contract monitoring arrangements with CSL and developing a Business Assurance Framework. It was further noted that the Trust was awaiting a formal response from CSL and The Hospital Company in respect of recovery payments.

8. The Committee received the proposed update to the Constitution and Standing Financial Instructions approved by the Trust Board in 2015. The updates reflected the agreed Committee Terms of Reference, the establishment of NHS Improvement [NHSI] and Chief Finance Officer.

9. The Medical Director presented an overview of the progress made with the Clinical Audit Programme 2015/16, and overall Clinical Programme for 2016/17; based on national requirements as well as locally driven priorities. It was noted that during 2016/17 the divisions had signed up to take part in 75 national mandatory audits, 13 CCG contract audits, 10 NICE Quality Standard and 13 Trust-wide audits.

10. The Committee received the quarter one report on the Corporate Risk Register and Board Assurance Framework.

11. The Committee received a regular report on losses and special payments for the period from April 2016 to July 2016.

12. The Committee reviewed the schedule of single tender waivers for the period from April 2016 to August 2016, noting a third of the waivers during this period were retrospective. It was suggested this was due to timing of the signatures of waivers and formal process.

G. Key Risks Discussed

13. The Committee noted the proposals to facilitate assessment of the effectiveness of internal audit, external audit and counter fraud. It considered that the proposed approach would need to commence in advance of the tender process.

14. An action plan had been implemented following the IR[ME]R Improvement Notice which had been issued to the Trust on 23 August 2016. The Committee considered that compliance with the action plan would need to be continually monitored.

D. Key decisions taken

The following key decisions were made:

15. The Committee reviewed and accepted the proposed changes to the Constitution, Delegation of Powers and Standing Financial Instructions.

16. Proposals to facilitate the assessment of effectiveness, in line with best practice of internal audit, external audit and counter fraud were agreed, with the review to commence in advance of the tender process for internal and external audit.
17. A revised counter fraud and bribery policy and reporting procedures was agreed. The amendments included: an enhanced section three on scope of the policy, enhanced appendix 2 on “Fraud Do's and Don'ts” and a new appendix 4 on “Sanctions and Redress.”

18. The Interim Chief Finance Officer recommended going out to tender for Internal Auditors.

19. It was agreed that given the Trust was only 18 months into Foundation Trust Status, it was in its best interests that Ernst & Young remain as the External Auditors until the end of the financial year.

E. Agreed Actions

18. The Committee agreed further work needed to be undertaken in relation to scoping for deep dive reviews. The Director of Assurance was asked to provide an update at the next Committee meeting in November.

19. The Committee noted the management response was being awaited in respect of the risk rating for medicines management. It was agreed the risk score could be reviewed as the response would not have an impact on the rating. The report to the Committee would need to contain substantive information and a plan of action going forward.

20. Best Practice Guidance had been received in relation to single tender waivers and forwarded to the Procurement Department to establish what could be implemented. A report would be submitted to the Committee in November.

21. Following an update on Project Earth, the Committee recommended regular updates be provided, which would subsequently be provided to the Trust Board in Private.

22. Following review of the Clinical Audit Plan, it was agreed a more comprehensive executive summary should be included, which would also clarify what the Committee was being asked to do.

The Committee agreed the following actions:

F. Matters deferred for future consideration

23. None

G. Matters to be referred to the Trust Board, and other sub-committees of the Board

24. Updates on Project Earth would be reported to the Trust Board in private.

Recommendation

25. The Trust Board is asked to note the contents of this paper.

Anne Tutt
Audit Committee Chairman

November 2016