

Trust Board Meeting in Public: Wednesday 11 November 2015

TB2015.131

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 18 September 2015. 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 that the Trust had made progress in implementing their recommendations, and there were no high-risk recommendations outstanding. This was reflected in the Director of Finance and Procurement's update on implementation of internal audit recommendations, which confirmed the latest position in respect of the nine recommendations which were overdue. The Chairman of the Audit Committee asked the Director of Finance and Procurement to liaise with other Executive Directors, in an effort to sustain progress in the implementation of internal audit recommendations.
2. KPMG provided a summary of their findings in relation to final reports issued on:
 - Nurse Revalidation - significant assurance with minor improvement opportunities
 - Information Governance Toolkit Follow-Up Review - significant assurance with minor improvement opportunities
 - Local Clinical Research Network - significant assurance with minor improvement opportunities
3. The Committee also received a summary of the findings of draft reports issued by KPMG on:
 - Pharmacy Orders and Payments - significant assurance with minor improvement opportunities
 - Bank and Agency Staff - partial assurance with improvements required
4. Particular consideration was given to the findings of the review of controls surrounding bank and agency staff, noting that while significant steps had been taken during 2014/15 to reduce reliance on temporary staffing and improve use of the National Health Service Professionals (NHSP), there remained a number of areas where further improvements were necessary to ensure appropriate control over both cost and quality of bank and agency staffing. The Director of Finance and Performance confirmed that the draft report was being actively considered, and an interim management statement would be provided to the next meeting of the Committee in November.
5. It was reported that management responses were still awaited on draft reports previously reported to the Committee in relation to:
 - Human Tissue Act - significant assurance with minor improvement opportunities
 - Integrated Care Pathway - significant assurance with minor improvement opportunities

6. A progress report was presented in relation to Counter Fraud, which reflected that there continued to be evidence of a good level of engagement across the organisation. It was recognised that, while the total number of investigations required was not large, each one needed to be regarded as potentially representing the tip of a larger iceberg. The Internal Auditors will be working further with the Trust, to consider how best to ensure that the investigation of an apparently isolated incident could also address whether it was indicative of any wider systemic problem.
7. The Committee received the independent accountants' report on Working Capital and Financial Reporting Procedures as part of the Trust's application for Foundation Trust status. The report observed that the Trust's financial reporting procedures had, on the whole, become more established over the last few years, and met the requirements for the Board in discharging its duties. However, the independent accountants [Deloitte] had identified some areas for improvement, in respect of which recommendations had been made, and the Committee reviewed the Action Plan developed to address these. A report on progress will be submitted to the Audit Committee at its meeting in February 2016.
8. The Medical Director presented an update on implementation of Internal Audit recommendations relating to Clinical Guidelines. This confirmed completion of the high level action required to update the Policy for the Development and Implementation of Procedural Documents [the 'Policy on Policies'], though the options appraisal for implementing a centralised policy library required further input from across the Trust, and the process for reviewing individual policies, procedures and guidelines was still on-going. The Trust Management Executive [TME] had received a breakdown of the timeframe for review of all policies and procedures, including plans to clear the backlog of those overdue for review. It was suggested that, in common with the experience of many trusts, there had been a proliferation of documents termed "policies", many of which might more appropriately be termed procedures or guidelines. The Committee expressed support for the suggestion that efforts be made to work in collaboration with other trusts to determine what policies should be considered essential for an acute, teaching hospital trust; and to develop a national framework for the key clinical guidelines to be followed within the policy framework.
9. The Committee considered the regular report on losses and special payments for the period April 2015 to August 2015.
10. The Committee reviewed the schedule of single tender waivers for the period April 2012 to September 2015.

G. Key Risks Discussed

11. The Committee considered a 'Deep Dive' review of the current Principle Risk 5: Risk of loss of share of current and potential markets. The risk was reviewed in regard to both local services and specialist services, in the context of the clinical services strategy which underpinned the Trust's vision to be "at the heart of a sustainable and outstanding, innovative academic health science system, working in partnership and through networks locally, nationally and internationally to deliver and develop

excellence and value in patient care, teaching and research within a culture of compassion and integrity”¹.

12. In relation to local services, it was recognised that management of the risk was focused less on straightforward resistance to any diminution of market share, than on the need to ensure that service changes were progressed in a planned and collaborative fashion, and financial contribution levels were maintained.
13. In relation to specialist services, it was recognised that the strategic context had changed significantly as a result of reform of the framework by results framework, and proposals for the introduction of a marginal rate for specialised services, including drugs and devices.
14. Within this context, the Trust will be undertaking a fundamental review of its overall strategy, including a redefinition of its vision, and how that should best be served by its underpinning market and clinical services strategy.
15. The Committee considered new risks recommended for inclusion on the Corporate Risk Register, including the risk of failure to comply with Nursing and Midwifery Council [NMC] Guidance on the revalidation of nurses and midwives, noting that this reflected recommendations made by the Internal Auditors, following their review and the finding of significant assurance with room for minor improvements.

D. Key decisions taken

The following key decisions were made:

13. The Committee reviewed the scheduling of deep dive reviews, and agreed that these should focus on identifying where there were any gaps in assurance.
14. In undertaking its regular review of the Board Assurance Framework [BAF] and the Corporate Risk Register [CRR], the Committee recommended that a more fundamental review should now be undertaken, to assess whether the BAF and CRR adequately and accurately reflected what were the most significant risks for the Trust.
15. Consideration would be given to the need for any further external advice on the governance of the proposed Alliance Programme, following discussion at the Board Seminar in February 2015.
16. The recommendations of the independent review ‘*Freedom to Speak Up*’ will be reviewed, to determine what further action the Trust should take to revise its processes and procedures for raising concerns.

E. Agreed Actions

The Committee agreed the following actions:

¹ Integrated Business Plan xxx

17. The Director of Finance and Procurement was asked to liaise with other Executive Directors, in an effort to sustain progress in the implementation of internal audit recommendations.
18. An interim management response to the Internal Auditors' draft report on Bank and Agency Staff will be submitted to the next meeting of the Committee, in November 2015.
19. The Committee was asked to give further consideration to the outcome of the three-yearly review of the Trust's Risk Management Strategy, and of its Assurance Strategy, and provide any further feedback to the Deputy Director of Assurance.
20. A report on progress in implementation of the Action Plan relating to Financial Reporting Procedures will be provided to the Committee in February 2016.

F. Matters deferred for future consideration

21. The Review of Clinical Audit Strategy was deferred, to allow sufficient time for the advancement of work in progress.

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

22. The Committee suggested that the Finance and Performance Committee should give further consideration to the potential for robotic automation to increase efficiency and productivity.
23. While the Audit Committee awaits submission of the interim management statement in relation to controls surrounding bank and agency staff (see paragraph 4 above), and will discharge its role in monitoring the implementation of recommendations made by the Internal Auditors, the success of measures to reduce expenditure on bank and agency staff will be monitored by the Finance and Performance Committee.

Recommendation

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

Anne Tutt
Audit Committee Chairman

November 2015