

Trust Board Meeting in Public: Wednesday 8 March 2017

TB2017.32

Title	Audit Committee Chairman's Report
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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 last met on 15 February 2017. 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 are highlighted for the 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:
 - Key Financial Systems - significant assurance with minor improvement opportunities
However, it was reported that payroll and accounts payable had been separately graded as partial assurance, and several recommendations relating to control weaknesses had been identified in these areas.
 - Divisional Governance – significant assurance with minor improvement opportunities
This review excluded the consideration of financial governance in the Divisions which has been subject to a separate review, which is due to be submitted to the next meeting in April.
 - Data Quality – Final – significant assurance with minor improvement opportunities
 - Information Governance Toolkit – significant assurance with minor improvement opportunities
2. KPMG presented its full report on Ionising Radiation [Medical Exposure] Regulations 2000 (IR[ME]R), produced in December 2016, to assess compliance ahead of the deadline of 1 January 2017 set in the Improvement Notice issued following inspection by the Care Quality Commission [CQC] in August 2016. KPMG's report had concluded that the Trust was broadly on target to meet the requirements as described in the improvement notice issued by CQC. Following re-inspection by the CQC on 1 February 2017, the Trust was deemed to be compliant, and the improvement notice was subsequently lifted.
3. The Committee reviewed progress made in the implementation of internal audit recommendations. Members emphasised the need for focus to be maintained, to avoid actions becoming overdue, and Executive Directors were asked to refer the question of how progress should best be monitored and managed to the Trust Management Executive [TME].
4. A progress report was received from external auditors Ernst & Young and a proposed timetable of work for 2017 was attached. This will see an Audit Report and Audit completion certificate produced in May 2017.
5. The Committee reviewed the current status of preparation for production of the Annual Accounts 2016/17, including the process for production of the Annual Governance Statement and the timetable for production of the Annual report 2016/17.

6. A progress report was considered on Counter Fraud activities. Key points highlighted included:
- Of the 9 cases from prior years, 6 had been closed, 2 were awaiting sanctions to be applied and a third-party response was awaited for one.
 - The 15/16 Self Review Toolkit (SRT) had been completed in line with plan (May 2016), preparation is underway for the completion of the 16/17 SRT in line with the revised deadline of April 2017
7. The Committee received a report on Accounting policies, accounting estimates and material judgements to be adopted in preparation of the annual accounts. It was confirmed that the Trust was currently reviewing whether the PFI estate should be valued on an optimal site basis, taking into account the expert advice of the District Valuer, and the Committee will be kept updated on the recommendation.
8. The Committee received the regular report on single tender waivers, which recorded that 68 waivers had been approved with a total of £3,832,739 since the last report. to the Committee. Future reports will distinguish between single tender waivers at risk of challenge for non-compliance with the requirements of the Official Journal of the European Union [OJEU] from those beneath the threshold for meeting EU procurement requirements. Future reports will also provide a summary of the reason why a single tender had been approved in any case of high value. The Committee will continue to focus on the wider piece of work being undertaken by the Chief Finance Officer in relation to procurement.
9. The Committee considered a regular report on losses and special payments for the period from April 2016 to December 2016. Noting that one loss had been attributed to the loss of stock following fridge failure, the Chief Information and Digital Officer is to be asked to report back on the timeframe for prioritising digitised temperature control of fridges containing the highest value stock.
10. A revised and updated Limits of Delegation Policy was submitted for consideration by the Committee. This reflected a number of significant changes within the Trust and the wider 'control landscape' since the previous version of the Policy had been approved in September 2015. The new policy as rewritten split the main controls into three sections:
- Approval of Business Cases and service developments which were not part of previously agreed plans.
 - Quotations, Tenders and Selection of Suppliers.
 - Committing Expenditure.

In addition, proposals had been added in relation to:

- a. Set up of Special Purpose Vehicles / Joint Ventures
- b. Equity Investment in another entity
- c. Approval of merger or acquisition
- d. Divestment of a service
- e. Tender for the provision of a service to a third party
- f. Contract extension of items previously tendered
- g. Pharmacy Orders
- h. signature of legally binding documents and external monitoring returns

Significant changes to the previous arrangements were highlighted in respect of:-

- i. Leases (C.7)
- ii. Greater delegated authority for Research & Development
- iii. Greater delegated authority for Hosted Bodies

It should be noted that the new policy also now incorporates the current NHS Improvement controls in respect of Management Consultants and Interim Managers.

The Committee noted that the Limits of Delegation Policy did not include any proposals for 'earned autonomy' at this stage. However, possible options for this are being developed and once agreed, these proposals can be reflected in a further update to the policy.

Subject to the sign-off of final amendments, by agreement between the Audit Committee Chairman and the Chief Finance Officer, the Committee approved the revised Limits of Delegation Policy.

11. The Committee received a review of effectiveness of Internal Audit, External Audit and Counter Fraud, the results of which showed a largely positive response. It is proposed that the current approach will be reviewed and developed, with consideration to be given to undertaking a more detailed review of effectiveness periodically.

C. Key Risks Discussed

12. The Committee considered the key risks associated with commissioning contracts, including:

- The risk that activity remunerated at a marginal rate (60%) above £331m could cost more to deliver than the income received;
- The possibility of material over-performance if QIPP programmes were not delivered (QIPP of £18m having been agreed in the contract with NHS England, the majority of which was not yet identified);
- The risk of failure to meet mandated elective, cancer and emergency access standards and agreed performance trajectories; and
- The risk that activity reductions planned by the Oxfordshire healthcare system were not delivered, to offset and mitigate the impact of expected growth.

It was agreed that these risks should be reflected in the Corporate Risk Register, and the Committee will be kept updated on scenarios that unfold, and on the effectiveness of mitigations described, which were focused on collaborating with system partners, and ensuring collective accountability.

13. The Committee discussed the risks associated with control weaknesses identified in relation to payroll and accounts payable, and the weaknesses noted in the financial governance of divisions. Beyond the limits on the assurance provided by the internal auditors working to the scope initially set, and against standard benchmarks, the Committee considered the need to set higher benchmarks, as that to which the Trust must aspire if it hoped to achieve its ambition for long term sustainability.

D. Key decisions taken

The following key decisions were made:

14. The Committee agreed to adopt the accounting policies for preparation of the 2016/17 accounts and considered the accounting estimates and material judgements, subject to confirmation of the recommendation with regard to optimal site valuation of the PFI estate.
15. The Committee approved the revised Limits of Delegation Policy, subject to final amendments to be agreed between the Chairman and Chief Finance Officer.
16. The Committee supported the recommendation of the Internal Audit Working Group following the outcome of the tender process for Internal Audit services and Counter Fraud services, a full report on which has been submitted for consideration by the Trust Board at its meeting to be held in private on 8 March 2017.

E. Agreed Actions

The Committee agreed actions which included the following:

17. Regular updates will be provided on the risks associated with contracting 2017-19, which should be added to the Corporate Risk Register.
18. The risks associated with the Financial Plans 2017-19 will be reviewed at the next meeting.
19. The Trust Management Executive will be asked to consider how best to monitor and manage implementation of internal auditors' recommendations
20. The Internal Auditors [KPMG] were asked to assist in developing the format and benchmarking data for future progress reports.
21. The Committee agreed the process for the preparation of the draft Annual Governance Statement, which is due to be submitted to the next meeting for approval.

F. Matters deferred for future consideration

22. None

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

23. None.

Recommendation

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

Anne Tutt
Audit Committee Chairman

March 2017