

Trust Board Meeting in Public: Wednesday 10 May 2017

TB2017.51

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 last met on 27 April 2017. The main issues raised and discussed at the meeting are set out below.

B. Significant issues of interest to the Board

1. The Committee's first order of business was to consider all information which was relevant to preparation of the Trust's Annual Accounts, in advance of the draft Annual Accounts 2016/17 being submitted to the Board. Documentation considered included:
 - Internal Audit Annual Report including Head of Internal Audit opinion
 - Counter Fraud Annual Report;
 - External Audit Progress Report;
 - Draft Annual Governance Statement;
 - Financial statements: Representations from management and those charged with governance;
 - Draft Annual Accounts 2016/17
 - Draft Annual Report 2016/17; and
 - Draft Quality Account 2015/16;
2. In reviewing the Draft Annual Accounts 2016/17, the Committee specifically noted that the net impairments of the PFI properties of £58.2m were reported in operating expenses. It was recommended that the presentation of this provision needed to be carefully considered and suggested that it was highlighted separately on the income and expenditure account with a full explanation.
3. Papers on the methodology for valuation of the PFI estate, and on PFI accruals and provisions were reviewed in detail by the Committee.
4. The Committee noted that the presentation of the net results for the year was very complicated and asked the Chief Finance Officer to provide a full reconciliation to the management accounts so that the Board could see how the results compared with the Budget, forecasts and control totals.
5. The Committee considered the Draft Annual Governance Statement, and proposed amendments to ensure that the statement accurately reflected internal control issues that had been identified, and the actions taken to deal with them. A revised draft of the Annual Governance Statement will be circulated for approval of all members of the Audit Committee prior to submission of the final Annual Governance Statement for approval of the Board on 24 May 2017.
6. Papers on the methodology for valuation of the PFI estate, and on PFI accruals and provisions were reviewed in detail by the Committee.
7. The external auditors' progress report confirmed that good progress had been made to date, and there as yet no major issues to be brought to the Trust's attention. The Committee noted that the external auditors were liaising with the Trust regarding the optimal site valuation of the Trust's PFI estate, in relation to which net impairment of £58.2m had been reported in operating expenses, and it was confirmed that Ernst & Young would work with its valuation experts on that issue. It was also noted that the external auditors had yet to conduct work to arrive at their value for money conclusion.

8. The Committee received a report on the reasons for delay in implementation of all agreed internal audit recommendations due by 31 March 2017. Of the total of 486 KPMG recommendations on the tracking database, 84% had been implemented, 9% were not yet due, and 7% (32 recommendations) were overdue.

The Committee continues to be concerned about the delay in implementation of the overdue actions and it has been agreed that the Directors who have lead responsibility will in future be asked to submit explanations for any delay. It has also been agreed that owners of all overdue actions where there is not yet a revised due date will be asked to update the tracking log before the next meeting of the Audit Committee.

The Committee also supported the proposal that delivery of internal audit recommendations should be included as a performance measure within the 'Heat Map'/ Integrated Performance Dashboard that is being developed under the leadership of the Chief Information and Digital Officer.

9. A specific update was provided on the implementation of internal audit recommendations relating to medicines management, on-going monitoring of which will be by the Clinical Governance Committee [CGC], overseen by TME. Progress will be reported to the Audit Committee through the regular report provided on the tracking of all internal audit recommendations.
10. The Committee agreed the Internal Audit Plan for 2017/18, subject to advice from the Executive team on the appropriate prioritisation and scheduling of reviews planned.
11. The Trust's newly appointed counter fraud advisers, Grant Thornton, presented their draft work plan for 2017/18.
12. The Committee considered the regular report on losses and special payments for the period April 2016 to March 2017.
13. The Committee considered the regular report on single tender waivers since last report in February 2017, by reference to the single tender waiver register covering the period from April 2012 to 31 March 2017.
14. The Information Governance Six Month Report, including review of the Information Governance Toolkit, highlighted that the Trust had received an overall rating of 99% following the final submission of the Information Governance toolkit, scoring Level 3 in 44 out of 45 standards. It was also reported that, at the end of Month 9 2016/17, the Trust had achieved a data validity score of 99.1%, against a national average of 96.5%. The Committee commended the efforts made to achieve this performance.

C. Key Risks Discussed

The following key risks were discussed:

12. The Committee noted the changes made to the Board Assurance Framework [BAF] and Corporate Risk Register [CRR] as a result of the year-end review; noting that a fundamental review was being undertaken, to ensure that the CRR would be more closely related to the Trust's strategic objectives, and the Trust Business Plan.
13. Consideration of the risks associated with financial plans for 2017-19 was deferred, pending the production of an advice note by the Chief Finance Officer in advance of the meeting of the Trust Board scheduled on 10 May 2017.

D. Key decisions taken

The following key decision was made:

14. Having considered all the information relevant to preparation of the Trust's Annual Accounts, the Committee supported submission of the draft Annual Accounts to the Board at its meeting to be held in public on 10 May 2017. The Committee is scheduled to meet on 24 May 2017, to confirm whether it is able to recommend the Annual Accounts 2016/17 for formal adoption by the Board, in advance of submission due by the deadline of 31 May 2017.

E. Agreed Actions

The Committee agreed the following actions:

15. The Chief Finance Officer will provide a full reconciliation to the management accounts so that the Board can see how the results compare with the Budget, forecasts and control totals.
16. The Chief Finance Officer will develop an express policy to govern the agreement of additional work commissioned of the Trust's internal and external auditors.
17. Directors responsible for internal audit recommendations which are overdue will in future be asked to submit explanations to the Committee.
18. Owners of all overdue actions relating to internal audit recommendations, where there is not yet a revised due date, will be asked to update the tracking log before the next meeting of the Audit Committee.
19. The Chief Information and Digital Officer will lead further development of a 'Heat Map'/ Integrated Performance Dashboard, to include report on the number of outstanding internal audit recommendations as a performance measure.
20. The Medical Director will obtain confirmation of revised anticipated completion dates for implementation of outstanding internal recommendations relating to medicines management, for report to the next meeting of the Committee.
21. An updated log of accreditation and regulation to which the Trust is subject will be submitted for consideration by the Committee at its meeting in September 2017.
22. The Deputy Director of Assurance will revise the draft Annual Governance Statement, and circulate for the approval of all members of the Audit Committee prior to submission of the final Annual Governance Statement for approval of the Board on 24 May 2017.
23. All those in attendance were invited to submit comments on the Draft Annual Report 2016/17 and on the Draft Quality Account 2016/17 by 4 May 2017.
24. The Chief Finance Officer will provide an advice note on risks associated with the financial plans 2017-19.
25. The final Internal Auditors' report on Divisional Financial Management will be finalised and circulated as soon as possible.

F. Matters deferred for future consideration

22. Consideration of the risks associated with the financial plans 2017-19 was deferred, pending production of an advice note by the Chief Finance Officer.

G. Assurance required from/actions required by other Board sub-committees

23. No assurance or action was required by other Board sub-committees on this occasion.

H. Matters to be referred to the Trust Board

24. The Draft Annual Accounts 2016/17 will be submitted to the Board at its meeting held in public on 10 May 2016 and the Draft Annual Reports will be considered further by the Board at its meeting held in private on 10 May 2016.

Recommendation

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

Anne Tutt
Audit Committee Chairman

May 2017