

Trust Board Meeting in Public: Wednesday 9 May 2018

TB2018.48

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

Since the Board last met in public in March 2018, the Audit Committee [“the Committee”] has met on 18 April and 2 May 2018.

Under its terms of reference, the Committee is responsible for providing assurance to the Trust Board on the Trust’s system of internal control by means of independent and objective review of financial and corporate governance, and risk management arrangements, including compliance with law, guidance, and regulations governing the NHS. This report aims to contribute to the fulfilment of that purpose.

B. Background/Re-cap

At the meeting of the Board held in public in March 2018, the Committee reported on its meeting held in February 2018, at which business had focused on following up on internal audit reviews where partial assurance had been found, including Consultant job planning, implementation of Oracle Fusion, cash management and the review of Divisional Financial Governance. The Committee also reported on its monitoring of progress in the implementation of outstanding recommendations made by the internal auditors, and submitted its recommendation (which was accepted by the Board) to approve a waiver to allow the continued provision of radiotherapy as contracted by NHSE Specialised Commissioners.

At the Board meeting held in March, the Trust’s system of internal control was considered in the context of reviewing quality, operational, financial and workforce performance, and in consideration of a specific report submitted on the Trust’s *Gender Pay Gap*.

C. Issues of significance reviewed by the Audit Committee in April and May 2018

i. Preparation of Annual Accounts and Annual Report 2017/18; and Assurance relating to Annual Accounts

1. The Audit Committee has considered information relevant to preparation of the Trust’s Annual Accounts, in order to gain sufficient assurance to be able to recommend to the Board that the Annual Accounts 2017/18 can be approved in due course.

Over the two meetings held in April and May, documentation considered by the Committee has included:

- Internal Audit Annual Report including Head of Internal Audit Opinion;
 - Counter Fraud Annual Report;
 - External Audit Progress Report;
 - An initial draft of Financial Statements: Representations from Management and those charged with governance;
 - Draft Annual Accounts 2017/18;
 - Draft Annual Report 2017/18;
 - Draft Quality Account 2017/18.
2. The Head of Internal Audit Opinion was that significant with minor improvements assurance could be given on the overall adequacy and effectiveness of the Trust’s framework of governance, risk management and control.
 3. Following its initial review of the Draft Annual Accounts 2017/18, the Committee awaits circulation of audited Annual Accounts 2017/18 for consideration at its meeting to be held on 22 May, subsequent to which they will be submitted for approval by the Board.

4. Papers on PFI accruals and provisions, on losses and special payments, and on deferred income, have been submitted for detailed review.
5. The Committee has requested a detailed report on the validity of the going concern assumption on which the accounts have been prepared for submission.
6. The Committee will also review the proposed representations from those charged with governance, in response to the External Auditors' request.
7. To inform its consideration of the draft Annual Governance Statement, documentation reviewed by the Committee has included the following:
 - a. The current Board Assurance Framework [BAF], which was reported to be under development to make it a more focussed and useable tool for the Board;
 - b. The Corporate Risk Register [CRR], in which risk controls and key controls were also noted to be under review, with the emphasis being on developing the accountability process and assurance framework in order to have a more standardised approach to the management and escalation of risk;
 - c. Report on the six-monthly review of Information Governance, in which the Trust's Information Governance Toolkit final compliance rate was reported at 100% and satisfactory. Data quality performance was also reported to be strong against both national benchmarks and local peer organisations achieving a data validity score of 98.9% against a national average of 96.5%;
 - d. The Register of Interests and Register of Gifts, Hospitality and Sponsorship report;
 - e. The draft Audit Committee Annual Report 2017/18, which it was noted could not be finalised until after the meeting of the Committee due to be held on 22 May, when concluding what level of assurance could be provided to the Board.
8. The Committee asked that the draft Annual Governance Statement be considered in detail by the Trust Management Executive [TME], following which a draft Annual Governance Statement is to be circulated for approval of all members of the Audit Committee prior to 16 May 2018.
9. The Committee awaits the External Auditors' Audit Results Report for the year ended 31 March 2018, and will expect to receive that for review at the meeting scheduled on 22 May 2018.
10. The External Auditors' [Ernst & Young's] latest report on progress, submitted to the meeting held on 18 April, restated significant risks previously identified in relation to:
 - Risk of fraud in revenue and expenditure recognition; and
 - Management override, in relation to which the areas presenting the greatest opportunity to override controls were advised to be:
 - Year-end adjustments to contract;
 - Payable accruals; and
 - Receivable accruals.
11. The Committee noted that work on the value for money conclusion was ongoing, with the key focus being on the outcomes achieved from the controls implemented. The Committee is to be kept apprised of key judgments as they are made.

12. The Committee reviewed the latest draft of the Quality Account 2017/18. An updated final draft, incorporating amendments suggested, is to be circulated prior to the next informal meeting of the Audit Committee on 16 May.
13. The Committee reviewed the latest draft Annual Report 2017/18. As at 2 May, some concern was expressed that there was a significant amount of text that remained to be submitted and/or corrected and/or reviewed by Executives. An updated final draft is to be circulated prior to the next informal meeting of the Audit Committee on 16 May.
14. The Counter Fraud Annual Report 2017/18 was presented, including outcomes from the Trust's Self-Review Tool [SRT] undertaken by the Local Counter Fraud Specialist [LCFS], and reporting an overall green rating on counter fraud provision.

ii. Follow up assurance

15. The Committee has continued to seek further assurance in particular relating to areas in which internal auditors came to an assessment that improvements were required.
16. Progress made in the implementation of all internal audit recommendations has been kept under review, including consideration of the rationale offered for any revised implementation dates. The Committee continues to be concerned about the lack of progress in addressing recommendations in some areas, and has requested that recommendations continue to be monitored closely and managed by the Trust Management Executive [TME].
17. The Committee received a specific report on the current position in respect of the implementation of internal audit recommendations arising from the Internal Audit Report on Divisional Governance: Financial Management. The implementation of actions will continue to be monitored through quarterly progress update reports, and the Committee recommends that the Board request an update on the wider piece of work to address conclusions reached in the divisional leadership review.
18. The Committee received an update on cash management, noting actions proposed by management in response to the internal auditors' findings and opportunities, and recommending that the Finance and Performance Committee be asked to monitor progress in implementation.
19. The Committee received an update on the further work that was ongoing in relation to the processes the Trust had in place to assess patients' mental capacity, and use of Deprivation of Liberty Safeguards [DoLS]. The overall assessment reached by internal auditors was one of *partial assurance with improvements required*. The Chief Nurse and Director of Assurance were reported to have worked closely with KPMG to ensure that all recommendations had been considered, and it was confirmed that findings were being triangulated to feed into the action plan developed in response to the Care Quality Commission's [CQC's] report of its recent inspection of the Oxford Centre for Enablement [OCE] at the Nuffield Orthopaedic Centre [NOC].
20. The Committee received an update on the current status of the implementation of Oracle Fusion, noting the revised plan and rescheduled 'go live' date of July 2018.
21. The Director of Clinical Services outlined the management response in relation to internal auditors' review of the design and operating effectiveness of the arrangements the Trust had in place regarding consultant job planning. On the basis of the review, the overall assessment reached by internal auditors had been one of *partial assurance with improvements required*. The management response specified the actions to be taken, overseen by a "Job Planning Task and Finish" Group which will provide regular

progress reports to TME, and a report on completion of the action plan will be submitted to the Committee in September 2018

iii. Audit planning

22. The draft Annual Internal Audit Plan 2018/19 was reviewed, but has not yet been agreed until further work is undertaken in conjunction with the Trust Management Executive [TME].

23. The Counter Fraud Plan 2018/19 was reviewed and noted.

iv. Assurance, governance and regulation

24. The Committee reviewed the regular report provided on single tender waivers that had been approved under the Trust's system for internal control since the last report to the Committee in February 2018. Overall, there was noted to be a slight downward trend in the number of single tender waivers compared to the same period in the previous year (£1.1m), following a £4m reduction achieved in 2016/17.

D. Key risks discussed included:

23. Risks associated with delay or failure to implement Internal Audit recommendations, progress in which will continue to be closely monitored.

24. Risks associated with Care Quality Commission [CQC] compliance actions relating to the consistent understanding and application of the current risk management processes and connectivity of risks between directorates, to divisions and escalation to the Board.

25. Risks associated with the fact that, due to the incompleteness of some of the documentation provided so far, the Committee cannot be sure that it will gain sufficient assurance to be able to recommend to the Board that it approve the Annual Accounts and Annual Report 2017/18 on 23 May .

E. Key decisions taken included:

27. An additional, informal meeting will be held on 16 May, to review the agenda and papers for the next meeting of the Audit Committee scheduled on 22 May, with the aim of ensuring that the Committee can gain sufficient assurance at that meeting to be able to recommend to the Board that it approve the Annual Accounts and Annual Report 2017/18.

28. The Committee agreed to close the internal audit recommendation which prescribed the means by which designated infection control data should be displayed. It was accepted that a more effective way of displaying the data had been identified by the Trust Management Executive [TME], a report on the implementation of which will be submitted to a future meeting of the Committee.

F. Key actions agreed included:

29. The Committee has requested a detailed report on the validity of the going concern assumption on which the accounts have been prepared for submission, to be circulated in advance of 16 May 2018.

30. The Committee has also asked that the note on deferred income be updated for further consideration on 16 May 2018.

31. The proposed representations from those charged with governance, in response to the External Auditors' request, are to be circulated for review by members of the Committee in advance of 16 May 2018.
32. A draft Annual Governance Statement is to be circulated prior to 16 May 2018.
33. An updated draft OUH Quality Account 2017/18 is to be circulated in advance of 16 May 2018.
34. The section of the Annual Report 2017/18 entitled 'Remuneration Report' is to be circulated in advance of 16 May 2018;
35. An updated draft Annual Report 2017/18 is to be submitted for review on 16 May 2018.

E. Matters deferred for future consideration

36. None

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

37. The Committee recommends that the Board request an update on progress in work that is understood to be on-going to address conclusions reached in the divisional leadership review.

Recommendation

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

Anne Tutt
Audit Committee Chairman
May 2018