

Trust Board Meeting in Public: Wednesday 10 July 2019

TB2019.72

Title	Audit Committee Chairman's Report
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Status	For discussion and approval
History	This is a regular report to the Board

Board Lead	Mrs Anne Tutt, Audit Committee Chairman			
Key purpose	Strategy	Assurance	Policy	Performance

Executive Summary

1. The Audit Committee is a committee of the Trust Board and, as such, provides a regular report to the Board on the main issues raised and discussed at its meetings.
2. Since the last meeting of the Board held in public in March 2019, the Audit Committee met on 9 May and 20 May 2019.
3. 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.

Recommendations

4. The Board is asked to:
 - Note the contents of the Audit Committee's regular report to the Board on the main issues that were discussed at its meetings held on 9 May and 20 May 2019.

Introduction

Since the Board last met in public in March 2019, the Audit Committee [“the Committee”] held its most recent regular meetings on 9 May and 20 May 2019.

Under its terms of reference, the Committee is responsible for overseeing the establishment and maintenance of an effective system of internal control throughout the organisation. It ensures that there are effective internal arrangements in place, reviews the work and findings of External Audit, reviews the Trust’s annual statutory accounts before they are presented to the Trust Board and maintains oversight of the Trust’s Counter Fraud arrangements.

Year End Reporting and Related Issues

A key area of focus for the Committee at these meetings was to consider the required assurance in relation to the Annual Accounts and Annual Report and the Committee received updates as follows:

a) Quality Account

The Committee considered updates on the content of the Quality Account at both meetings. The Committee also received the External Auditor’s Report to the Council of Governors on the Quality Report.

The auditor’s review of the overall Quality Account content highlighted no issues of concern in relation to consistency or compliance with NHS Improvement’s requirements. Limited assurance work in relation to the testing of mandated performance indicators meant that only a qualified “except for” opinion could be provided based on the accuracy of the A&E four hour standard data reviewed.

It was recognised that the nature of this testing was not designed to review a statistically significant sample size and proposed that the Trust would probably wish to undertake a wider internal review initially. The Committee considered that this would not materially change the Quality Account but noted that this issue was being taken seriously by the Trust and it was agreed that the Committee would receive further detail regarding the management response and assurance in relation to this issue at a future meeting.

At the Committee’s 20 May meeting it was recommended that the document be approved by the Trust Board.

b) Annual Report

The Committee reviewed the content of the Annual Report at both meetings, proposing a range of revisions to the text. Subject to final amendments agreed the Report was recommended for approval by the Trust Board.

c) Annual Accounts

The Draft Annual Accounts were reviewed in detail by the Committee at its meeting on 9 May and the Audit Completion Report was received on 20 May. The external auditor confirmed that no significant findings had emerged from their review of the significant risk areas that had been identified and that their intention was to provide an unqualified opinion. The Committee heard that there were no adjusted or unadjusted misstatements. It was noted that this was unusual and the quality of the accounts was therefore commended.

The Trust’s requirement to remove its structural overspend was noted and it was recognised that this had not advanced as far as had been desired during the 2018/19

year. The Committee noted, however, that this did not require the auditors to qualify their opinion in relation to value for money.

At its meeting on 20 May the Committee recommended that the Accounts be approved by the Board.

d) Annual Governance Statement

The Committee heard that Trust Management Executive [TME] had considered a number of specific areas to assess whether or not these should be regarded as reflecting a significant loss of control. These had been considered in line with the relevant NHSI guidance to support boards in making judgements related to significance. TME had agreed that, whilst some issues highlighted the need for significant action, none represented a significant gap in controls.

It was agreed that the Annual Governance Statement be revised to reflect the qualified opinion received on the Quality Account on the basis of the accuracy of the A&E four hour standard data reviewed.

Subject to revisions as outlined above, the Audit Committee recommended that the Board approve the content of the Annual Governance Statement.

e) Internal Audit Report

The Committee heard that the Head of Internal Audit opinion was one of significant assurance with minor improvements required. It was noted that the Trust had received a number of partial assurance reports during the year and but that this was in the context of asking the auditors to consider some challenging areas. The opinion on overarching arrangements was regarded as positive.

Other Updates on Existing Areas of Focus for the Committee

- a) The Cash Committee Report was received and it was noted that good progress had been made on cash management and that a focus on this had been beneficial in driving incremental improvement. The Committee noted the new Cash Dashboard which had been developed.
- b) Oracle Fusion Update, the Committee received an update on the options appraisal that was being undertaken and heard that the next stage would be for the preferred option to be presented for consideration to TME.
- c) The Committee received a report following a 'Deep Dive' analysis of the use of consultancy within the Trust to assess where this was beneficial and how it could be used most efficiently and cost-effectively.
- d) An Internal Audit Recommendations Report was received providing an update in comparison with the position at the Committee's last meeting. The Committee requested that a further report be brought to the next meeting of the Audit Committee to clarify the specific approach that was to be employed to deliver an improved and more timely approach to delivering audit recommendations.

Areas Arising from Routine Reporting

The Committee received the following:

- a) At its meeting on 9 May the Committee received 2018/19 Key Financial Data, noting that at that stage this was largely superseded by the M12 Report to the Board. The Chief Finance Officer clarified the year end close procedure to the Committee.

Key Risk areas included:

- a. The need for the Trust to continue to develop and implement robust plans to remove its structural overspend; and
- b. To ensure that TME continue to maintain focus on progressing Internal Audit recommendations in a timely fashion with appropriate liaison with auditors.

Key Actions agreed included:

- a. It was agreed that a management response would be prepared to outline actions to be taken in response to the qualified opinion issued by the external auditors regarding ED data;
- b. Further updates were to be provided to the Committee on the completion of internal audit recommendations related to Radiation Protection and Medicines Management;
- c. A combined Information Governance and Cyber Security Action Plan was to be developed through TME and subsequently reported to the Committee.

Recommendation

The Trust Board is asked to **note** the contents of this report.

Anne Tutt

Audit Committee Chairman

July 2019