

REPORT TO THE TRUST BOARD in PUBLIC
25 MARCH 2021

Title	Internal Audit Plan 2021-2022
Author	Cathy Lilley, Director of Corporate Governance
Executive Lead	Stephen Course, Chief Finance Officer

Purpose of the report

To present to the Board the proposed Internal Audit Plan for 2021-2022 for review and approval.

Summary of key issues

The Internal Audit Plan for 2021-2022 has been based on an analysis of the Trust's strategic objectives, risk profile and assurance framework as well as other potential impacting factors for the year ahead, including changes within the sector. The individual plans are designed to provide assurance and/or advisory input around specific risks.

The Internal Audit Plan has been considered at the Audit Committee on 9 March 2021 and subsequently by Executives on 15 March 2022.

Strategic priorities this paper supports

Improved patient experience	<input checked="" type="checkbox"/>	
Improved population health outcomes	<input checked="" type="checkbox"/>	
Improved staff experience	<input checked="" type="checkbox"/>	
Improved value	<input checked="" type="checkbox"/>	

Committees/Meetings where this item has been considered

Date	Committee/Meeting
9 March 2021	Audit Committee
15 March 2021	Executive Team Meeting

Implications

Equality Analysis	This report has no direct impact on equalities.
Risk and Assurance	The internal audits as identified in the plan for 2021-2022 will provide objective and relevant assurance and contributes to the effectiveness and efficiency of governance, risk management and control processes as part of the Trust's system of internal control.
Service User/ Carer/Staff	Recommendations from the internal audits may impact on the Trust's strategic objectives of improving patient experience, improving staff experience and improving population health outcomes.
Financial	Delivery of the Internal Audit Plan 2021-2022 is included in the Internal Auditor's contract arrangements.

Supporting documents and research material

a. N/A	



EAST LONDON NHS FOUNDATION TRUST

Internal Audit Strategy 2021 - 2024 (including the 2021/22 Internal Audit Plan)

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.



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EXECUTIVE SUMMARY

Our Internal Audit Plan for 2021/22 is presented for consideration by the Audit Committee.

The key points to note from our plan are:



2021/22 Internal Audit Priorities: Internal audit activity for 2021/22 is based on analysing your corporate objectives, risk profile and assurance framework as well as other factors affecting you in the year ahead, including changes within the sector. Our detailed plan for 2021/22 is included at Section 1. The Plan has been shared with the Chief Finance Officer and has been circulated to the Executives. The Plan reflects input and feedback from the Executive team. The Plan is due to be presented to the Trust Board meeting on 25 March 2021.



Assurance Map: We will develop a bespoke assurance map for the Trust which ensures that we minimise duplication with other assurance providers and it also serves to maximise the assurances available to you. The assurance map also highlights any gaps in your assurance processes.



Level of Resource: The level of resource required to deliver the plan is consistent with 2020/21, with the daily rate held in line with the agreement made upon our appointment. Refer to Appendix A.



Core Assurance: The core assurance pieces for the 2021/22 audit plan includes work on Data Security Protection Toolkit, Key Financial Controls and Risk Management Culture.



Partnership Approach: We adopt an effective partnership approach to improving the internal control framework and making it more relevant to your services and ensuring that you are receiving assurances in the areas you require it most and when you need it across your sites. We work with a number of your partners across the East London Health and Care Partnership therefore we are well placed to coordinate assurances at a system level.



Culture Audits: Our culture audits support the Board in terms of engendering the right behaviours within the organisation to support achievement of strategic objectives. We support you by giving confidence to the board that measures put in place to change culture are successful and that behaviour is aligned with your strategic direction, and that the tone at the top is reflected at all levels. As part of our audits we go out into the locations to bring you real time assurance on what is happening in other parts of the Trust.



Best practice: Our thought leadership publications, benchmarking exercises and workshops are all designed to bring you best in class practice to help you improve.

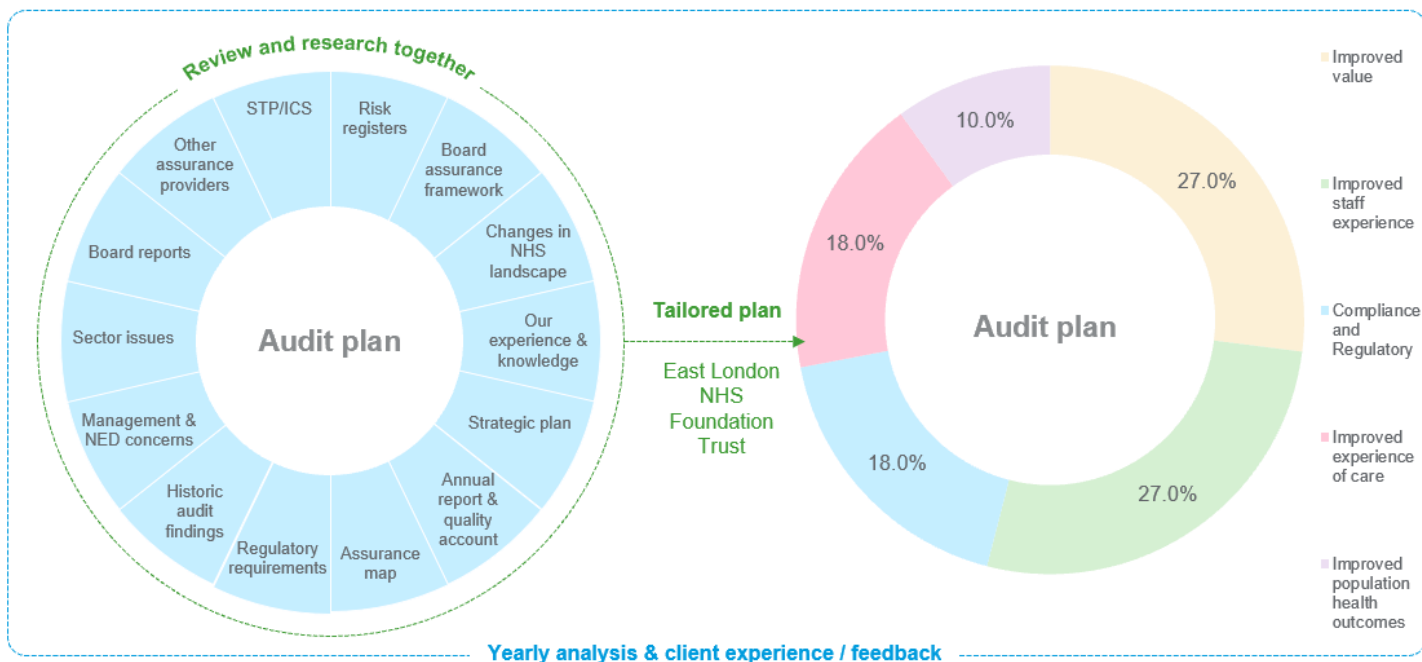
1. YOUR INTERNAL AUDIT PLAN 2021/22

Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk registers / assurance framework to inform the internal audit strategy. We have used various sources of information (see Figure A below).

Figure A: Audit considerations – sources considered when developing the Internal Audit Strategy.

Our approach to defining your internal audit needs



Based on our understanding of the organisation, the information provided to us by stakeholders, and the regulatory requirements, we have developed an annual internal audit plan for the coming year and a high-level strategic plan (see Section 2 and Appendix B for full details).

2. INTERNAL AUDIT PLAN 2021/22

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2021/22. The table details the strategic objectives which may warrant internal audit coverage. This review of your risks allows us to ensure that the proposed plan will meet the organisation's assurance needs for the forthcoming and future years. As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes time for tracking the implementation of actions and an audit management allocation.

Objective of the review	Audit approach	Fee	Proposed timing	Proposed Audit Committee
Strategic objective: Improved population health outcomes				
Population Health BAF REF 1 & 2	Risk	£5,390	September 2021	November 2021
<p>Performance reports highlight the importance of ensuring that services are designed to meet the diversity of community needs.</p> <p>Reviewing governance arrangements and structure around population health.</p> <p>Assessing Trust arrangements for ensuring equity of access to services, developing bespoke patient centric services which are driven by data where there are variations in outcomes, patient engagement as well as models for developing new ways of working.</p> <p>We will use data analytics to support this review.</p> <p>Executive Lead: Richard Fradgley</p>				
Strategic objective: Improved staff experience				
Staff Wellbeing BAF REF 5 & 6	Risk	£5,524	April 2021	July 2021
<p>One area of particular focus for the Trust is around well-being and mental health.</p> <p>We will assess the work being undertaken on employee wellbeing, including how the Trust is engaging with its workforce. We will also assess whether measures put in place are effective and how employees perceive this, with the use of a questionnaire.</p> <p>In addition, this review will also include the mechanisms in place to effectively communicate to staff, particularly during and following COVID-19 using various communication channels. This work will be linked to and aligned to the Trusts internal work and lessons learnt processes.</p> <p>This review will be supported by our HR specialists.</p> <p>Executive Lead: Tanya Carter</p>				

Objective of the review	Audit approach	Fee	Proposed timing	Proposed Audit Committee
<p>Equality and Diversity BAF REF 6</p> <p>We will use a questionnaire to request targeted feedback from a specific cohort of staff in the Trust. We will undertake focus groups to obtain input from a selected sample of staff members with a view of developing an action plan to move forward the equality and diversity agenda. As part of our review we will provide examples of best practice seen elsewhere.</p> <p>This review will be supported by our HR specialists.</p> <p>Executive Lead: Tanya Carter</p>	Risk	£4,524	October 2021	January 2022
<p>Recruitment and Retention BAF REF 5</p> <p>Recruitment and retention remains a challenge for the Trust. As part of this review we will focus on how the Trust enables rapid recruitment to vacancies and meets the needs of operational team leads, whilst maintaining standards. We will identify potential blockages in the process and opportunities for improvement. We will also consider how the process could be further automated.</p> <p>We will review evidence of follow through on staff surveys and whether lessons are being learnt. We consider whether exit interviews are taking place and results being collated.</p> <p>This review will be supported by our HR specialists.</p> <p>Executive Lead: Tanya Carter</p>	Risk	£5,993	July 2021	September 2021
Strategic objective: Improved value				
<p>Waste Reduction BAF REF 7 and 8</p> <p>The Trust is anticipating a deficit in the plan for 2020/21.</p> <ul style="list-style-type: none"> • Whether an assessment is completed of each saving scheme to ensure the Trust have understood and are able to manage any risks to quality before deciding whether to carry on with the scheme. • We will focus on planning, delivery and oversight processes. • Whether Medical directors (and, where appropriate, other senior clinical staff) scrutinise schemes before they are implemented. 	Risk	£5,776	August 2021	November 2021

Objective of the review	Audit approach	Fee	Proposed timing	Proposed Audit Committee
<ul style="list-style-type: none"> Using data analytics, we will conduct a deep dive into a sample of schemes to ascertain the realisation of benefits and whether appropriate remedial action is being taken where benefits have not been realised. Whether the Trust reviews opportunities that could be added into the savings programme as the Trust progresses through the recovery phase. We will also review Model Hospital content to understand areas of opportunities to triangulate against waste reduction plans. We will also conduct a survey and speak to a sample of staff to test out the culture and behaviours of staff towards the waste reduction plan. 				
Executive Leads: Steven Course/Lorraine Sunduza				
<p>Cyber Security BAF REF 7 and 8</p> <p>With the opportunistic nature of the cyber-criminal to target areas of change and potential weakness, the pandemic has provided the environment which has consequently enhanced the associated risks in this area.</p> <p>We will provide assurance on whether adequate measures are actively in place to safeguard the Trust against cyber-attacks and cyber threats.</p> <p>The work will be supported by our IT Audit specialists.</p> <p>Executive Lead: Philippa Graves</p>	Risk	£5,568	May 2021	July 2021
Strategic objective: Improved experience of care				
<p>IT Service Desk Responsiveness BAF REF 8</p> <p>In response to the pandemic the Trust has employed a flexible, agile, mixed model of service delivery, using technology and virtual contacts in place of face to face contacts.</p> <p>We will focus on the structure and process in place around IT service desk responsiveness. The review will consider the logging of incidents reported by service users and how these incidents are resolved within set timescales. We will also review processes to ensure that there are sufficient controls to prioritise and escalate issues, where necessary.</p> <p>Executive Lead: Philippa Graves</p>	Risk	£3,994	July 2021	September 2021

Objective of the review	Audit approach	Fee	Proposed timing	Proposed Audit Committee
<p>IT Strategy BAF REF 3, 4, 7 and 8</p> <p>The NHS Long Term Plan puts digitisation and AI at the heart of transforming service delivery. The pandemic has also provided a greater focus on utilising technologies to enhance services, through for example remote consultations.</p> <p>Our review will consider how digital transformation is being embraced as part of the IT Strategy, costed plans for how this will be delivered, including use of third parties, cloud-based services, governance arrangements, milestones, IT training and benefits realisation.</p> <p>The work will be supported by our IT Audit specialists.</p> <p>Executive Lead: Philippa Graves</p> <p>Controls Compliance</p>	Risk	£5,982	February 2022	May 2022
<p>Key Financial Controls</p> <p>To provide management with assurance on the robustness of systems in place to support the key financial processes. In 21/22 we will focus on Payroll. We will incorporate the use of data analytics and provide continuous assurance in this area. This review will consider joint working with LCFS.</p> <p>Executive Leads: Steven Course/Tanya Carter</p>	Controls compliance	£4,931	June 2021	September 2021
<p>Data Security and Protection Toolkit</p> <p>Our review will consider;</p> <ul style="list-style-type: none"> Action plans in place to improve performance. The Governance arrangements in place for the delivery, completion and sign off of the DSP Toolkit return and wider requirements. Compliance reviews by the information centre and their impact on compliance with DSP Toolkit requirements. The validity of the toolkit return based upon a review of a sample of toolkit requirements. <p>The work will be supported by our IT Audit specialists.</p> <p>Executive Lead: Amar Shah</p> <p>Core Compliance</p>	Controls compliance	£4,155	December 2021	March 2022

Objective of the review	Audit approach	Fee	Proposed timing	Proposed Audit Committee
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Risk Management Culture	Core compliance	£5,930	November 2021	January 2022
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We will focus on the population health risks on the BAF.

As part of the audit we will consider the risk management culture within the Trust. We will survey staff through a questionnaire and will undertake a series of interviews with a range of stakeholders to gauge their perceptions of the Trust's approach to risk management and the extent to which there is a clear and embedded risk management culture at all levels within the organisation.

Interviews will also be held with a number of Executive Director's together with a range of NEDs.

We will review the prioritisation of risks and timeliness of the delivery of actions on the BAF and the impact these have on residual risk scores. We will review a sample of actions over a 12-month period.

Executive Leads: Cathy Lilley/Lorraine Sunduza

Other Internal Audit Activity

Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	-	£2,508	On-going	Each Audit Committee
Management	This will include: <ul style="list-style-type: none"> • Annual planning; • Preparation for, and attendance at, audit committee • Regular liaison and progress updates; • Liaison with external audit and other assurance providers; and 	-	£9,245	Throughout the year	N/A

Objective of the review	Audit approach	Fee	Proposed timing	Proposed Audit Committee
	<ul style="list-style-type: none"> Preparation of the annual opinion. 			
TOTAL		£69,520		

A detailed planning process will be completed for each review, and the final scope will be documented in an Assignment Planning Sheet. This will be issued to the key stakeholders for each review.

2.1 Working with other assurance providers

The Trust is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers, such as local counter fraud specialists and external audit to ensure that duplication is minimised, and a suitable breadth of assurance obtained.

APPENDIX A: YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Nick Atkinson (Engagement Lead) and Clive Makombera (Director), with Sharon Kaur as your client manager.

Fees

Our fee to deliver the plan is £69,520 (excluding VAT).

Core team

The delivery of the 2021/22 audit plan will be based around a core team. However, we will complement the team with additional specialist skills where required.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

Conflicts of interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

APPENDIX B: INTERNAL AUDIT STRATEGY 2021 – 2024

The table below shows an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. This has been derived from the process outlined in Section 1 above, as well as our own view of the risks facing the sector as a whole.

Proposed area for coverage	2021/22	2022/23	2023/24
Risk based assurance			
Patient Safety / Quality	✓	✓	✓
Considerations could include:			
<ul style="list-style-type: none"> • CQC • Population Health • NICE Guidance • Mental Capacity/DOLs • Duty of Candour • Learning from Complaints / Incidents / Deaths • Safeguarding Children and Adults • Patient Experience • Infection Control • Clinical Audit • Quality improvement plan • Medication Errors • Sterile Supplies • Ward Rounds • Controlled drugs • Fire safety • Seclusion & Restraint 			
Efficiency and Performance	✓	✓	✓
Considerations could include:			
<ul style="list-style-type: none"> • Performance Management & Data Quality • Bed Management • Waiting List Times • IT Service Desk Responsiveness 			

Proposed area for coverage	2021/22	2022/23	2023/24
Finance Considerations could include: <ul style="list-style-type: none"> • Waste Reduction • Procurement • Budgetary Control and Financial Management • Financial Sustainability / Forecasting • Patient Level Costing 	✓	✓	✓
Business Management Considerations could include: <ul style="list-style-type: none"> • Contract Management • Business Planning • Service Integration • Trust Strategies • Service Line Reporting • Making Tax Digital • ICS • IT strategy 	✓	✓	✓
Estates and Facilities Considerations could include: <ul style="list-style-type: none"> • Estates Strategy • Medical Devices • Backlog Maintenance • Capital Programme Management • Emergency planning 		✓	✓
Staff Management Considerations could include: <ul style="list-style-type: none"> • Rostering • Equality and Diversity • Recruitment and Retention • Appraisals 	✓	✓	✓

Proposed area for coverage	2021/22	2022/23	2023/24
<ul style="list-style-type: none"> Bullying and Harassment Medical and Nurse Revalidation / Job Planning Raising staff concerns Wellbeing/Equalities Staff Survey and Engagement Sickness Absence Whistleblowing Statutory and Mandatory Training Lone working 			
Governance Considerations could include: <ul style="list-style-type: none"> Freedom of Information Requests Community Health Service Internal Governance Community Health Service External Governance Governance / Deep Dive Reviews Stakeholder Engagement Quality Governance Self-Assessment 		✓	✓
IT Audit Considerations could include: <ul style="list-style-type: none"> Cyber Security Network Security IT Benefits Realisation IT Business Continuity and Disaster Recovery Arrangements IT Project Management Information Security Data Protection (GDPR) 	✓	✓	✓
Core Assurance			
BAF/Risk Management	✓	✓	✓

Proposed area for coverage	2021/22	2022/23	2023/24
<i>DSP Toolkit</i>	✓	✓	✓
Key Financial Controls	✓	✓	✓
Consideration could include:			
<ul style="list-style-type: none"> • General Ledger • Accounts Receivable • Accounts Payable • Payroll • Fixed Assets • Stock Control • Cash Management • Patient Monies 			
Other Internal Audit Activity			
<i>Follow Up</i>	✓	✓	✓
<i>Management</i>	✓	✓	✓

APPENDIX C: LEVELS OF ASSURANCE GIVEN TO DATE

The table below informs of the key audits carried in our audit plan to date, giving an overview of assurances issued. This table will help to provide context when considering the key risk areas, we wish to include in this year's plan.

Assurance Provided		Year	2018/19	2019/20	2020/21
	Red - Minimal Assurance / Poor Progress				
	Amber/red - Partial Assurance / Little Progress				
	Amber/green - Reasonable Assurance / Reasonable Progress				
	Green - Substantial Assurance / Good Progress				
	Advisory / AUP				
Community Health Service Governance					
Fire Safety					
Mental Health Act					
Clinical Assurance					
Root Cause Analysis Review					
Divisional Governance					
Risk Management and Quality Performance Framework					
Board Assurance Framework and Risk Management					TBC
Data Quality					

Assurance Provided		Year	2018/19	2019/20	2020/21
	Red - Minimal Assurance / Poor Progress				
	Amber/red - Partial Assurance / Little Progress				
	Amber/green - Reasonable Assurance / Reasonable Progress				
	Green - Substantial Assurance / Good Progress				
	Advisory / AUP				
Financial Systems – Accounts Payable and Payroll					
CIP Benefits Realisation / Waste Reduction					
GDPR Governance					
DSPT					
Contract Management					
STP/Placed Based System Governance					
Workforce Review – Recruitment and Retention					
Temporary Staffing / Rostering					
Incident Management / Learning Lessons / Learning from Complaints					TBC
NICE Guidance					
Mandatory Training					
Patient Safety - Seclusion and Constraint					
Business Continuity and Disaster Recovery					
Accounts Receivables / Costing for Bids					

Assurance Provided		Year	2018/19	2019/20	2020/21
	Red - Minimal Assurance / Poor Progress				
	Amber/red - Partial Assurance / Little Progress				
	Amber/green - Reasonable Assurance / Reasonable Progress				
	Green - Substantial Assurance / Good Progress				
	Advisory / AUP				
ICS					TBC
Waiting List Management					
Remote Working during Covid-19					TBC
People Participation					TBC
Patient Records					TBC
Financial Governance					
Financial Forecasting					
Patient Level Costing					
E-prescribing Project Assurance					TBC

APPENDIX D: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for East London NHS Foundation Trust. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the audit committee.

The internal audit service is provided by RSM Risk Assurance Services LLP (“RSM”).

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core principles for the professional practice of internal auditing;
- Definition of internal auditing;
- Code of ethics; and
- The Standards.

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to Clive Makombera (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the chief executive, with further reporting lines to the Chief Finance Officer.

The head of internal audit has unrestricted access to the chair of audit committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to East London NHS Foundation Trust. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal

audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the audit committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the audit committee. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the audit committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the audit committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the audit committee to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Executive Management Team – who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.

- Trust Board – The highest-level governing body charged with the responsibility to direct and/or oversee the organisation’s activities and hold organisational management accountable. Furthermore, “board” may refer to a committee or another body to which the governing body has delegated certain functions (e.g. an audit committee).

Client care standards

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

- Discussions with senior staff at the client take place to confirm the scope four weeks before the agreed audit start date.
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 10 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 10 working days of the debrief meeting and will be issued by RSM to the agreed distribution list / Huddle.
- Management responses to the draft report should be submitted to RSM.
- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the audit committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the audit committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the audit committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under the standards, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality

assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the audit committee.

Fraud

The audit committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the audit committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the audit committee is also approving the internal audit charter.

FOR FURTHER INFORMATION CONTACT

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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