

Audit Committee

Minutes of the Audit Committee meeting held on Monday 26 November 2018 at 2.00pm in the Boardroom, Robert Dolan House, 9 Alie Street, E1 8DE

| | | |
|-----------------------|--|--|
| Present: | Mary Elford Eileen Taylor | Non-Executive Director (Chair of the meeting) Non-Executive Director (part) |
| In attendance: | Tanya Carter Steven Course Mason Fitzgerald Cathy Lilley Clive Makombera Beth Raistrick Ciaran McLaughlin Linda McRoberts | Director of HR (agenda item 10) Chief Financial Officer Director of Planning & Performance Assistant Director Corporate Governance Internal Audit Manager, RSM Local Counter Fraud Specialist External Audit Director, Grant Thornton Corporate Minutes Taker (minutes) |
| Apologies: | Zenda Butler Emily McKeown Kingsley Peter | Senior Local Counter Fraud Specialist External Audit Manager, Grant Thornton Non-Executive Director |

The minutes are produced in the order of the agenda

1 Welcome and apologies for absence

- 1.1 Mary Elford explained that Anit Chandarana had recently joined the Trust as a Non-Executive Director and Chair of the Audit Committee. As he was unable to attend the meeting she had agreed to chair the meeting.

The Chair welcomed all to the meeting, and in particular Eileen Taylor who had also recently joined the Trust as a Non-Executive Director. She explained that the order of the agenda would be changed to ensure that the meeting was quorate where decisions were required.

Apologies were noted as above.

2 Declarations of Interests on Items on the Agenda

- 2.1 No declarations were made.

3 Minutes of the Previous Meeting Held on 24 September 2018

- 3.2 Subject to the following amendment, the minutes of the meeting held on 24 September 2018 were **APPROVED** as a correct record:
- 10.1 Annual Report & Accounts: The minutes should read 'Quality Assurance Committee' and not the Quality Committee that is responsible for oversight and monitoring of the Quality Account/Report.

4 Action Log and Matters Arising from the Minutes

4.1 Action Log

The Committee reviewed the Action Log, noting:

- Action 83 Counter Fraud: Working while sick. This a national issue on which Trusts are constrained due to data sharing issues. Contact has been made with the Counter Fraud Authority but so far no response has been received. The Auditors agreed to highlight this issue through their networks. It was also agreed it would be more effective to pressure national bodies rather than to try to tackle this as an individual Trust. Therefore if there is no response from the Counter Fraud Authority in the next couple of weeks the Trust will write requesting help on this.

ACTION: Beth Raistrick

Other actions were closed, on the agenda or in progress within timeframe.

4.2 **Matters Arising**

Referring to 8.2 of the minutes, the Committee was assured that the FBIC had picked up the issue of IT and risks around achieving the digital ambitions and would undertake regular reviews.

5.0 **External Audit**

5.1 Ciaran McLaughlin updated the Committee on the external audit noting:

- An audit plan for 2018/19 will be presented at the January meeting
- There are no major changes to the accounting requirements.

5.2 In discussion, the Committee noted:

- No audit issues are expected as a result of Bedfordshire Community Services audit
- Grant Thornton is running a briefing event on the development of Quality Account/Report in January 2019 which will provide an opportunity for a discussion on the requirements and sharing of approaches taken by other Trusts. It was noted that Duncan Gilbert is leading on the production of the Quality Account/Report for the Trust and assurance provided that a detailed development timetable had been drafted and would be presented to the Quality Assurance Committee on 10 December 2018
- Various small locations in Bedfordshire could represent a risk in terms of estates; however, the new leasing standards have been delayed until 2020/21 so there will be no major impact this year. Property, plant and equipment will be included in the audit review
- The new wholly owned subsidiary, Compass, will be included in a future audit.

5.3 The Audit Committee **RECEIVED** and **NOTED** the verbal update.

6 Internal Audit – Progress Report

6.1 Clive Makombera presented the Internal Audit Report and pointed out that the Clinical Assurance and Divisional Governance reports will be discussed at the next Quality Assurance Committee meeting on 10 December 2018 and are presented to this Committee for information only. His updated covered:

- Summary of Internal Audit management actions
- Outstanding Internal Audit management actions
- CIP benefits realisation review
- Accounts payable audit
- Risk management and quality performance framework review.

- 6.2 In discussion, the Committee noted:
- The process in relation to the follow up and escalation of management actions and assurance was provided that a request to extend a completion date this must be signed-off by the Executive
 - While there is not a different process for risks with a higher rating, Clive discusses each risk and emphasis is placed on high and medium risk actions.
 - If high or medium risk actions have an extended completion date, a summary would be reported to the Audit Committee (these are in the appendix to the paper)
 - The feedback following the review of a sample of three CIP schemes across three Directorates focusing on the benefits realised through the implementation of the schemes
 - Three 'medium' management actions were identified regarding the design and application of the control framework; however, assurance was provided that controls are in place to manage this area which are suitably designed and consistently applied
 - The importance of carrying out quality impact assessments to ensure driving down costs is not impacting quality
 - The challenges with delivering CIPs; however, assurance was provided that work plans are in place to address the current identified gap. This was being monitored by the FBIC
 - More clarity would be provided in future Internal Audit Reports in respect of the process to identify the RAG rating for a scheme
 - The learning from the PWC report into King's College Hospital
 - The main issue identified from the Accounts Payable review related to the use of Purchase Orders. A review is being undertaken to identify where they are needed, how to increase use and alternative IT systems to improve management
 - The significant control improvements put in place in respect of the Board Assurance Framework and Performance Framework following review in 2017/18.

6.3 The Committee **RECEIVED** and **DISCUSSED** the report.

7 Counter Fraud – Progress Report

7.1 Beth Raistrick presented the Counter Fraud Progress report summarising the work from April to November 2018. She highlighted:

- There have been 23 referrals received since 1 April 2018, four of which have been transferred to a formal investigation
- Three pro-active reviews remain open
- The progress being made against the work plan.

7.2 The Committee queried the disproportionate lack of referrals from Bedfordshire and Clive Makombera agreed to check the CCS/RSM responsibility in this area. Meantime the Counter Fraud Team will continue with communications and training for Bedfordshire CHS.

ACTION: Clive Makombera

7.3 The Committee **RECEIVED** and **DISCUSSED** the report.

8 Risk Management and Board Assurance Frameworks

8.1 Mason Fitzgerald presented the report to the Committee. The Committee noted:

As a result of an advisory audit that looked at both performance and risk management, there is a new integrated performance report which includes the BAF

- Good progress has been made with the development and implementation of the Risk Management Framework and Board Assurance Framework
- Work continues to develop and refine the Corporate Risk Register and Directorate Risk Registers
- The draft Corporate Risk Register would be presented at the next Audit Committee meeting where consideration will also be given to the reporting lines
- The Board has continued its discussions on risk appetite and any further feedback from the next Board Development Session on 28 November 2018 will be included in the RMF as appropriate particularly in relation to risk appetite.

8.2 The Committee discussed the Risk Management Framework and the following points were made:

- The Committee was happy with the changes to the report and progress to date
- The Committee liked the clear process in terms of each Committee having ownership of risks – it was noted this gives clear allocation of responsibility and ensures appropriate time can be given to discussing risks
- Eileen Taylor would meet separately with Clive Makombera and Mason Fitzgerald for a briefing on the BAF.
- The Committee noted there had been no movement in the risk rating scores or escalation/de-escalation of risks on the BAF during the last two quarters. This is partly due to the higher level approach means the framework is less sensitive to small changes. More detail on actions being taken will be included in future reports
- It was noted that the BAF Dashboard shows risk 4 has a target of 12 and 10 is being achieved, raising the question of whether the target should be amended. Mason agreed to look at this
- Assurance was provided that the Executive has found the Risk Management Framework and risk management process to be more effective.

Subject to a few minor amendments/updates, the Committee **APPROVED** the Risk Management Framework which would be presented to the Board of Directors at its meeting in January for ratification.

8.3 The draft internal audit plan would be presented at a future Board meeting/Board Development Session for review and discussion; the plan would be circulated ahead of the review meeting.

ACTION: Clive Makombera/Cathy Lilley

8.4 The Audit Committee **RECEIVED** and **DISCUSSED** the report, and **APPROVED** the Risk Management Framework.

9 **Waivers**

9.1 Steven Course presented the report on waivers approved September-November 2018 and highlighted the reduction in the number of waivers. There were no questions.

The Committee **RECEIVED** and **NOTED** the report.

10 Workforce Compliance & Appraisals and Mandatory training Update

10.1 Tanya Carter joined the meeting and provided an update on the progress on appraisals and training, highlighting:

Appraisals

- The re-structuring of the learning and development team has now completed
- Appraisal dates have been moved from January-March to April-June
- A review and overhaul of the appraisal process is taking place including the development of new forms, timetabling, etc
- The intention had been to upload appraisal forms on to the ESR system but as this is not possible, a further review is being undertaken to improve recording functionality whereby managers will input appraisal dates on to ESR; this should result in more robust reporting
- L&D are working on briefings for managers so the new system should be ready for April 2019.

Statutory and Mandatory Training

- A working party has been formed to review and identify areas for improvement
- The number of courses has been reduced from 40 to 30
- A whole organisation mapping exercise has been completed and a new matrix developed which will be visible on the OLM screen
- A communications campaign to staff has been developed to promote the new matrix and requirements.

10.2 In response to questions, the Committee noted:

- Work is ongoing with managers to ensure appraisals are completed; the new reporting system should help identify non-compliance in future as will provide more accurate and real-time data
- The importance of timely communications to keep staff updated on improvements being made
- The plans can be achieved particularly as there is increased capacity within the L&D team (from five to fifteen full-time staff)
- With regards to the Internal Audit review on workforce compliance, it was agreed that some recommendations and management actions will be closed and appropriate evidence will be provided.

10.3 The Audit Committee **RECEIVED and NOTED** the verbal report.

11. Policies

11.1 Petty Cash Policy

Steven Course presented the Petty Cash Policy which replaces the guidelines and highlighted the key changes.

11.2 Following discussion it was agreed that it was important to ensure there was appropriate communications to staff to ensure they are aware of the requirements and options in the policy. This communication to include Q&As and examples.

ACTION: Steven Course

11.2 The Audit Committee **APPROVED** the policy.

12 Quality Assurance Committee Minutes

There were no questions.

The Audit Committee **RECEIVED** and **NOTED** the minutes.

13 Any Other Business

There were no items of AOB raised.

14 Forward Plan

Steven Course noted he has yet to meet with Anit, the new Audit Committee Chair, and assured the Committee that when he does discussions will include the forward plan and 'deep dives' requirements.

14.2 The Audit Committee **RECEIVED** and **NOTED** the forward plan.

15 Issues to be brought to the Board's attention (positive and negative assurance)

These were agreed as:

- Update and assurance on the progress with appraisals and mandatory training
- Note progress on waivers
- Assurance around risk management framework
- Audit plan for next year.

16 Date of next meeting

Monday 7 January 2019 at 14:00 – 16:00 in the Boardroom, Robert Dolan House, 9 Alie Street, London E1 8DE.

The meeting closed at 3.30pm