

REPORT TO THE TRUST BOARD: PUBLIC
12 SEPTEMBER 2018

Title	Audit Committee 16 July 2018 – Chair’s Report
Committee Chair	Paul Hendrick, Committee Chair
Author	Cathy Lilley, Associate Director of Corporate Governance

Purpose of the report

To bring to the Board’s attention key issues and assurances discussed at the Audit Committee meeting held on 16 July 2018.

Issues to be brought to Board’s attention

The following key items and assurances were considered by the Committee at its meeting on 16 July 2018:

- **External Audit:** The Committee noted:
 - The auditors were undertaking the planning processes for the 2018/19 audit which will commence later in the year
 - The auditors had completed their external audit opinion for 2017/18 which would be presented to the Governors; and received a copy of the annual audit letter
 - The summary of emerging national issues and developments relevant to ELFT and Foundation Trusts.

- **Internal Audit:** The Committee received:
 - An update on the reviews for 2018/19 some of which have already commenced
 - A summary of the status of outstanding management actions due for implementation
 - A benchmarking report on GDPR compliance and readiness
 - RSM’s edition of Health Matters which focuses on the helping Trusts to ensure good governance is maintained. This edition included assessing culture and its role in improving key performance and how it contributes to a ‘well-led’ service; Integrated Care Systems (ICSs) and meetings in common; managing GDPR compliance; and LCSF counter fraud investigations processes.

- **Counter Fraud:** The Committee reviewed the report, noting the current investigations as well as the work of the team including the review of policies/procedures/guidance/templates and the communications activities to staff. The Committee was pleased to note that approximately £117,000 had been recovered since April 2018.

- **Cash Management:** The Committee noted the Grant Thornton report on the ‘cash crisis’ at Barking Havering & Redbridge University Hospitals NHS Trust that identified that the organisation was in a position of not having sufficient cash to pay to suppliers and that there were examples of poor financial governance pertinent to robust cash management. The Committee received an assurance report that the Trust has good financial governance in place relating to cash management and that a number of additional steps would be adopted to strengthen the system of internal control. In addition the risk of this happening in the short to medium term is currently

low as the Trust has high levels of cash holdings.

- **Board Assurance Framework:** The Committee received a detailed report on the new framework including the development of the Corporate Risk and the Directorate Risk Registers and was reminded of the development of risk management in the Trust. The Committee noted that the revised Risk Management Framework would be presented at its next meeting in September 2018 and that an internal audit of risk management culture is scheduled to commence in October 2018.
- **Waivers:** The Committee noted the reduction in the number of waivers following a focus on the waiver management.
- **Quality Assurance Committee Minutes:** The Committee received the approved minutes of the Quality Assurance Committee meeting held on 19 April 2018.

Audit Committee

Minutes of the Audit Committee held on Wednesday, 23 May 2018 from 11:00, in the Board Room, Trust Headquarters, 9 Alie Street, London E1 8DE

Present: Paul Hendrick Non-Executive Director (Committee Chair)
Mary Elford Non-Executive Director

In attendance: Marie Gabriel Trust Chair
Paul Calaminus Acting Chief Executive Officer
Steven Course Chief Financial Officer
Mason Fitzgerald Director of Corporate Affairs
Tanya Carter Interim Director of HR
Emily McKeown External Audit Manager, Grant Thornton
Ciaran McLaughlin External Audit Director, Grant Thornton
Sartaj Viridi Internal Audit, RSM
Andrea Goldsmith Interim Trust Secretary (minutes)
Dave Adams Deputy Director of Finance
Dion Campbell Financial Controller

Apologies: Kingsley Peters Non-Executive Director

The minutes are produced in the order of the agenda

1 Welcome and apologies for absence

1.1 Paul Hendrick welcomed those present: apologies had been received from Kingsley Peters and Clive Makombera

2 Declarations of interest on items on the agenda

2.1 There were no declarations in relation to the items on the agenda

3 Minutes of the previous meeting held on 23 April 2018

3.1 The minutes were approved, with the clarification that the 100-day report on the Bedfordshire Community Services would be taken to the Board.

4 Action log and matters arising from the minutes

4.1 The action log was not considered at this meeting.

5 Recommendation for approval of the accounts

a. Summary report

b. 2017-18 accounts

5.1 Steven Course reminded the Committee that the draft accounts had been presented to their last meeting, and that comments and questions had been received since then from External Audit and Board members, which had been addressed.

5.2 The surplus had been increased slightly due to a STF bonus being received, and so the final accounts would report £16,846k.

5.3 As there were no transactions with the subsidiary company of Queen Mary University of London which Mary Elford was a director of, there was no need to include this in the accounts.

5.4 The Committee having no more questions, agreed to recommend the approval of the accounts to the Trust Board.

5.5 On behalf of the Committee, Paul Hendrick thanked Steven Course and the finance department for their work in preparing the accounts.

6 External Audit

a. ISA260 audit highlights memorandum

b. Independent auditor's report to Council of Governors

6.1 Emily McKeown presented the reported, stating that the ELFT audit had been the easiest of her NHS clients, especially considering this was the first audit year with ELFT. The accounts had been very accurate, with very few areas requiring work. At the time of writing of the report, there had been some small, outstanding items which are in the process of being closed.

6.2 Grant Thornton takes a risk-based approach to their audit work, and are giving a clean opinion on the accounts. The value for money work had also been completed, also with a clean view.

6.3 There was also a section within the report sharing best practice from other organisations which the Trust may wish to consider. This was not to address any errors found, but to further strengthen the Trust's processes.

6.4 The standard wording of the audit opinion was the legal requirement.

6.5 The audit of the Quality Account was not a statutory duty, and is listed as a potential conflict although most auditors do work on both the annual accounts and quality accounts. No substantial items had been found during this work, and a limited assurance was being given.

6.6 Three indicators had been tested: two national and one local one. There were no issues identified during this work.

6.7 Unfortunately the CCGs, Healthwatch organisations and Oversight and Scrutiny Committees had advised that their comments would not be available before the NHS Improvement deadline of Tuesday, 29 May 2018 at noon. The report can still be signed and submitted with these comments added when received. These comments have to be included verbatim in the report, and so can be added to the version to be submitted to Parliament.

6.8 Steven Course advised that one of the items that had been highlighted during the audit was the ability of the CFO to post to, and approve posts to, journals. This was put in place for use as a last resort: it had not been used during this financial period. Emily McKeown advised that she had not seen this arrangement in other trusts. If this had been used it would have been tested during the audit process.

6.9 This system had been put in place when there were two deputy director of finance, and now there were three. Steven Course agreed to look at removing this ability from the CFO and transferring it to the deputy directors of finance.

ACTION: Steven Course

6.10 There had been an issue regarding older contracts which had been rolled over several times, and the original documentation could not be found. The monthly payments could be confirmed by talking to the other parties.

6.11 The audit team use a range for valuations until the report from the independent valuer is received. If the valuation is towards the edges of the expected range, it is queried. The valuer provided the audit team with their calculations based on their local knowledge and skills which were accepted, and will be taken into account for future years.

6.12 Emily McKeown stated there would be a de-brief with the finance team to look at learning for both sides for future years, but from their point of view the audit had gone very well. The Quality Committee would look at the Quality Accounts report and take the learning and recommendations forward.

6.13 The Letter of Representation was the standard, legal wording, with no additional items.

7 Internal Audit

a. Updated annual internal audit report 2017-18

b. Final Head of Internal Audit Opinion

7.1 Sartaj Virdi presented the final Head of Internal Audit Opinion, which included management's responses to the issues raised in the draft report.

7.2 Mary Elford stated that there was an outstanding action on the Quality Assurance Committee's action log regarding meetings with the Healthwatches in ELFT's areas. Mason Fitzgerald suggested that once the reports had been received, this could be used as the basis for those meetings: one in London and one in Bedfordshire and Luton.

7.3 Paul Hendrick advised that he had spoken to Clive Makombera regarding the report, and specifically the BAF and risk management audit. Mason Fitzgerald added that the wording did not take into account the work which the Board was currently doing reviewing and updating the BAF. The recommendations had been accepted and would be included in the new version of the BAF. Sartaj Virdi agreed to send through new wording to reflect this for the submission. *Post-meeting note: the revised wording was included in the submission.*

7.4 The work was continuing to ensure GDPR compliance, and that the wording for this audit would also be reviewed. A full briefing could be given to the Board meeting following this committee meeting.

7.5 Sartaj Virdi stated that although Healthroster had been introduced and temporary staffing discussions were held at DMT meetings, this was not always recorded and so there was no evidence. Paul Calaminus reported that action plans were in place to look at the key drivers for use of temporary staffing. Steven Course added that FBIC also reviewed this spend and it was important not to duplicate the effort, but to link all information sources. Also it was important to note that recruitment was a more important factor than rostering in most areas of the Trust.

7.6 There was a new module being released for community services which would be piloted to see whether it was appropriate for ELFT or a bespoke system was required.

7.7 The executive lead for the majority of these actions was Paul Calaminus, with the FBIC as the Board committee with oversight. There was significant work underway, such as recruitment and retention, different ways of working and composition of teams. The DMT will also be required to ensure that documentation and evidence is available.

7.8 Sartaj Virdi confirmed that Internal Audit would keep these audit actions under review and report progress to the Committee in their usual report.

8 Annual Report 2017-18 – including Quality Account

8.1 Mason Fitzgerald presented the Annual Report and the changes which had been received from Non-Executive and Executive Directors, and External Audit.

8.2 Tanya Carter agreed to check the staff sickness absence numbers which currently showed a steep increase in absence. *Post-meeting note: this table was amended for the submission.*

8.3 Ciaran McLaughlin requested that clarification as to why Paul Calaminus was signing the

report, not Navina Evans. *Post-meeting note: an explanatory paragraph was added to the introduction.*

- 8.4 The Committee agreed to recommend the approval of the Annual Report and Quality Report to the Trust Board.

9 Audit Committee – annual report

- 9.1 Steven Course presented the annual report, reminding the Committee that the questions were taken from the NHS guidance and were similar to last year.

- 9.2 The areas to focus on in 2018-19 were noted as linking well with the areas identified during the BAF and risk review.

- 9.3 The self-assessment had been sent out via Survey Monkey. The handbook states that only the Non-Executive Committee members should complete the survey, all meeting attendees had been asked to contribute to the self-assessment so more information was recorded.

- 9.4 It was noted that some questions had been skipped or not answered, which it was agreed respondents should not be able to do. Future surveys would be designed so it was not possible to move on without answering the current question.

ACTION: Steven Course

- 9.5 It was agreed to recommend the annual report of the Audit Committee to the Trust Board.

10 Issues to be brought to the attention of the Board (positive and negative assurance)

- 10.1 The Committee agreed the following items:
- To recommend the approval of the Annual Report and Quality Account
 - To recommend the approval of the Annual Accounts
 - To recommend approval of the Letter of Representation
 - To note the GDPR item in the Internal Audit report
 - To note the temporary staffing item in the Internal Audit report

11 Date of next meeting

- 11.1 Wednesday, 16 July 2018 from 14:00-16:00 in the Board Room, Trust HQ

The meeting closed at 12:08