

Audit Committee

**Minutes of the Audit Committee held on Tuesday 23 April 2018 from 14:00
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
Kingsley Peter Non-Executive Director

In attendance: Narina Evans Chief Executive Officer
Steven Course Chief Financial Officer
Mason Fitzgerald Director of Corporate Affairs
Lorraine Sunduza Interim Chief Nurse
Ciaran McLaughlin External Audit Director, Grant Thornton
Clive Makombera Internal Audit, RSM
Zenda Butler Senior Local Counter-Fraud Specialist
Beth Raistrick Local Counter Fraud Specialist
Andrea Goldsmith Interim Trust Secretary (minutes)
Dave Adams Deputy Director of Finance (Item 8)
Dion Campbell Financial Controller (Item 8)

Apologies: None

The minutes are produced in the order of the agenda

1 Welcome and apologies for absence

1.1 Paul Hendrick welcomed those present: no apologies had been received.

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 16 January 2016

3.1 The minutes were approved, subject to some typographical errors being corrected.

4 Action log and matters arising from the minutes

4.1 The Committee noted the action log.

4.2 Mason Fitzgerald advised that the correct appraisal figure was 82.8%, not the previously reported 83.2%

5 External Audit

5.1 Ciaran McLaughlin presented the progress report, and advised on the work undertaken regarding the Trust's control environment and financial systems. A review of the Internal Audit reports had also been carried out. Some preparation work for the audit of the accounts had started, such as work on journals. The final audit will be reported to the next meeting. The Trust was in a good position, with no issues identified.

5.2 Steven Course added that he had met with the auditors and discussed the work

completed, any issues raised, and preparation for the final audit of the accounts.

- 5.3 Ciaran McLaughlin presented the sector update and the King's Fund briefing on Integrated Care Systems. There were complex governance arrangements to work through to ensure clarity of responsibility and decision-making.
- 5.4 Steven Course confirmed that the Trust had oversight of the Tower Hamlets Together through the Tower Hamlets Together Partnership Board and would escalate any issues of concern. The separate contracts were audited separately, with Grant Thornton auditing the expenditure on those contracts to ensure they are as expected. The Trust may wish to think about how it gains assurance, as Grant Thornton has no authority to audit outside ELFT.
- 5.5 Navina Evans added that there were discussions regarding contingency plans should one area of the partnership fail. There were significant overlaps across the contracts.
- 5.6 Steven Course confirmed that the Tower Hamlets Partnership Board was run through the CCG, and there were specific clauses within the contract for the Cambridgeshire services relating to quality, and the requirement to notify ELFT of any decreases in quality.

6 Internal Audit

a. Progress report

- 6.1 Clive Makombera presented the progress report and the four completed audits since the last meeting. These were on: IG Toolkit and GDPR Governance (both reports advisory), Board Assurance Framework and Financial Reporting / CIP (both these reports received Amber/Red rating). There were areas of concern on each of these reports which were discussed in detail. Clive Makombera also reported that there were currently 30 management actions overdue, with the reasons provided to Internal Audit accepted.
- 6.2 Mason Fitzgerald advised that the Workforce Review and implementation of the appraisal recording had been delayed by the release of the National ESR module. After review, this module will not be appropriate for the Trust, and therefore a longer-term solution is being investigated. A process had been put in place for the current appraisal cycle.
- 6.3 Paul Calaminus was leading on the interim HR Director arrangements following Sandra Drewett's departure. The advertisement was nearly ready to go out.
- 6.4 Zenda Butler advised that following a problem with a person named in a report not knowing they were responsible for actions, the procedures had been amended to make sure all named individuals were aware.
- 6.5 Steven Course acknowledged that the IG Toolkit audit was disappointing as a lot of work had been done for GDPR, however there had been problems evidencing this. An action plan was being prepared. The new version of the Toolkit was available from the end of March, which may require gathering new or additional evidence. Additional in-year assessments may also be useful to prepare for the annual Toolkit.
- 6.6 Navina Evans added that there had been work within the Executive Team to clarify the roles and responsibility for the Senior Information Risk Owner (SIRO), the Caldicott Guardian and the Executive Lead. Chris Kitchener was the Data Protection Officer. Navina Evans assured the Committee that the systems and processes were in place, but there needed to be improvements in evidencing that.
- 6.7 Clive Makombera moved on to the BAF report, noting that there were delays in aligning to the strategic objectives. However following discussions with Mason Fitzgerald, there

was a clear process being worked through.

6.8 Mason Fitzgerald added that Joanne Sims, Risk and DATIX Manager, continued to work on the issues raised and progress was being made. The new BAF had been discussed at a recent Board development session, with the new format to be submitted to the May2018 meeting. The new Associate Director of Corporate Governance, Cathy Lilley, will continue this work when she takes up her post.

6.9 The directorates' risk registers are reviewed monthly with the Executive Directors, as part of the performance meetings. However there was work to be done to reduce the variations in quality of these registers.

6.10 There were concerns that the issues raised within the report had not been identified before this IA work. The Committee discussed how Board sub-committees could get assurance that directorate reviews were being effectively conducted and that key items were reported to the relevant Board committee.

ACTION: Mason Fitzgerald

6.11 The financial accountability and reporting audit concluded that clinical involvement needed to be strengthened, and that there was work to be done in evidencing that scrutiny, challenge and completion of actions at DMT meetings. Steven Course advised that the rating had been disappointing, and it had been reviewed in detail with IA. The CRES programme does not have a central PMO, unlike many other organisations, to ensure clinical ownership. The process for Quality Impact Assessments was also in transition. The DMT meetings will be asked to ensure their notes clearly show when actions are closed, but a decision had been taken to not have full minutes.

6.12 The Committee **noted** the report.

b. Draft Head of Internal Audit Opinion 2017-18

6.13 Clive Makombera presented the draft Head of Internal Audit Opinion for 2017-18, which was Level 2. Although this was the same as last year, there were some areas which had slipped. Steven Course advised that the action plans already in place would rectify this, such as the GDPR, risk management and workforce actions.

6.14 The Trust had contacted other Trusts to learn from their BAF and risk management procedures and processes. Navina Evans advised on a very useful discussion with another CEO on high-level principles.

6.15 The final version would be included within the Annual Report and Accounts to be considered at the Committee's next meeting.

c. Draft Annual Workplan 2018-19

6.16 This plan had been discussed at the Trust Board, the Quality Assurance Committee and with Steven Course. Mason Fitzgerald advised that the proposed location visits work was still under discussion with IA, and whether this would be a useful audit to complete. This would be left in for the time being, and the Committee advised should this change.

6.17 The Committee **approved** the Internal Audit Workplan for 2018-19.

7 Counter-Fraud

a. Annual Report 2017-18

7.1 Zenda Butler presented the Annual Report, advising on the work to raise awareness, train staff, review policies and procedures and on referrals. £26.6k had been recovered, and there had been a number of non-financial sanctions. These included resignations, dismissals, referrals to appropriate professional bodies, and removal from the UK.

- 7.2 There was work planned in the new Bedfordshire services, and it was likely that the number of referrals will increase and then fall to a similar level seen in the rest of the Trust. There had been no referrals in the handover of LCFS services.
- 7.3 The benchmarking report showed a year-on-year analysis of counter-fraud referrals and investigations: fraudulent timesheeting and working while off sick were consistent themes. These were also consistent across other Trusts.
- 7.4 The fake purchase orders related to a particular fraudster who was using the Trust's logo to buy IT equipment and then defraud the suppliers. This was a financial loss to those suppliers, not the Trust, but did impact the Trust.
- 7.5 The Committee **received** the report, asking for the types of fraud figures in future reports to be broken down into geographical areas to identify any trends.
ACTION: Zenda Butler
- 7.6 Zenda Butler went on to present the Self-Review Tool, advising that the Trust's overall score remained as green. There were four areas which had been rated Amber, and the action plan had been included for these standards. Steven Course highlighted that a long-standing issue of confidential workspace for the LCFSs was now green.
- 7.7 The Committee **received** the self-review assessment.
- b. Draft Annual Workplan 2018-19**
- 7.8 The proposed workplan included the proactive work for Bedfordshire Community staff.
- 7.9 The Committee **approved** the LCFS annual workplan.
- c. Fraud Risk Assessment – March 2018**
- 7.10 Zenda Butler presented the annual risk assessment, advising that risks could be added in year should it be necessary.
- 7.11 Cyber risks had been rated as high, and the LCFS and IT teams worked closely together to keep up-to-date in this area and minimise the Trust's exposure as much as possible.
- 7.12 The Committee **received** the assessment, and thanked Zenda Butler and Beth Raistrick for their work.
- 8 Draft Annual Accounts 2017-18**
- 8.1 Steven Course introduced Dave Adams and Dion Campbell to the meeting, and highlighted the key figures in the draft accounts. These draft accounts would be submitted to NHSI, and to External Auditors.
- 8.2 The draft figures included the control total, the CQUIN, adjustments, impairments and ST funds. The surplus for 2017-18 was £16.8m. The final accounts would be presented to the next Audit Committee meeting for recommendation to the subsequent Board meeting. Most accounting policies are set by NSH Improvement though there were some judgement issues for the Trust.
- 8.3 There had been some problems with the costs of mental health liaison service in the acute hospital, and who should pay for those services. The breakdown of the expenses for the agency and substantive staff was as expected.
- 8.4 Steven Course asked for comments on the accounts by 14 May 2018 to be able to prepare for the sign-off meetings, and thanked all those who had been involved in the production of the accounts.

9 Draft Annual Governance Statement 2017-18

9.1 Mason Fitzgerald presented the draft AGS and highlighted the new requirements from previous years. There was information to be included from the Head of Internal Audit Opinion and the BAF. There was a requirement to declare any significant control issues, but no definition of significant, so there was a decision to be made on materiality.

9.2 The Committee discussed how the Board could be advised in advance of information governance breaches which had to be reported to the Information Commissioner. There were action plans in relation to the IG serious incidents which had been accepted by the Information Commissioner.

9.3 It was suggested that the IG breaches could be reported to the appropriate Board sub-committee, or in the Board SI report considered in Part 2 meetings. Navina Evans and Mason Fitzgerald agreed to look at the most suitable reporting route.

ACTION: Navina Evans and Mason Fitzgerald

9.4 Navina Evans confirmed that she was happy with the wording of the AGS. The Committee **noted** the draft Annual Governance Statement.

10 Board Assurance Framework

10.1 Mason Fitzgerald presented the BAF, reminding the Committee that the BAF was being reviewed and that the new format would be submitted to the Board meeting

10.2 The Committee **accepted** the BAF.

11 Annual Review of SFIs

11.1 Steven Course advised that it was good practice to review the SFIs, and there were a number of changes in preparation for the GDPR. The petty cash thresholds had also been reviewed as these were causing business problems, and so had been raised to £250. The proposed changes had been tracked in the submitted document.

11.2 The Committee **approved** the changes to SFIs.

12 Waivers

12.1 Steven Course presented the waivers' list and advised that each waiver was reviewed in detail to try to minimise their use.

12.2 Mary Elford asked whether the waivers that continued services were also scrutinised for the cumulative amount, for example the media training. This decision would be taken on a case-by-case basis. By using SBS in the procurement process, the independence of the process was strengthened by providing all the reasons for needing the waiver.

12.3 The Committee **approved** the waiver list, and requested more information on the use of waivers for continuity of service using Media First as the example.

ACTION: Steven Course

13 Quality Assurance Committee – 5 February 2018 draft minutes

13.1 Mary Elford presented the minutes, highlighting the discussion regarding learning from the Bedfordshire Community Services' due diligence for any future contracts. Steven Course advised that a 100-day report would be produced, and would look at all areas.; this would be presented at a future Board meeting.

ACTION: Steven Course

13.2 The Committee **noted** the minutes

14 Any Other Business

14.1 Steven Course advised that the annual review of the Audit Committee would be a Survey Monkey questionnaire, and asked all attendees to complete it before the annual report and accounts were signed off.

15 Forward Plan

15.1 This item was not taken.

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

16.1 The Committee agreed to report the Internal Audit reports and Information Commission Office reportable breaches

17 Date of next meeting

17.1 Wednesday, 23 May 2018 from 11:00 am in the Board Room, Trust HQ

The meeting closed at 15:45

Approved