

Audit Committee

Minutes of the Audit Committee meeting held on Tuesday 24 April 2017, at 2.00pm, in the Boardroom, Trust Headquarters, 9 Alie Street, London E1 8DE

Present:	Paul Hendrick Mary Elford	Non-Executive Director (Committee Chair) Non-Executive Director
In attendance:	Nick Atkinson Zenda Butler Steven Course Georgia Denegri Mason Fitzgerald Elizabeth Holford Steve Lucas Beth Raistrick Neil Thomas Dave Adams Dion Campbell	Internal Audit Partner, RSM Local Counter Fraud Specialist Chief Financial Officer Interim Trust Secretary Director of Corporate Affairs Corporate Minutes Taker External Audit, KPMG Local Counter Fraud Specialist External Audit, KPMG Deputy Director of Finance (Item 8) Financial Controller (Item 8)
Apologies:	Kingsley Peter	Non-Executive Director

The minutes are produced in the order of the agenda

1 Welcome and apologies for absence

- 1.1 Paul Hendrick welcomed everyone to the meeting. Apologies for absence were noted as above.

2 Declaration of interests on items on the agenda

- 2.1 None.

3 Minutes of previous meeting held on 17 January 2017

- 3.1 The minutes of the Audit Committee meeting held on 17 January 2017 were **AGREED** as an accurate record subject to the following amendments:

- Minute 9.1, page 6, first bullet: amend nurses suspensions to 2
- Minute 11.2, page 7: delete second and eighth bullet points.
- Minute 11.2, page 7, fifth bullet point: Add at the end "This is in any case an audit requirement."

4 Action log and matters arising from the minutes

4.1 Action log

The action log was updated (please see separate document).

4.2 Matters arising

There were no matters arising not otherwise on the agenda.

5 External Audit Progress Report

- 5.1 Neil Thomas reported that the interim audit was completed and the tests on key controls showed that they were operating as expected.

- 5.2 With regard to the revised guidance on Managing Conflicts of Interest published by NHS England in February 2017, the Interim Trust Secretary updated the Committee on the new thresholds set. These are more generous than the Trust's current policy which means that the Trust complies with the new guidance. Nonetheless, the Trust's policy will be reviewed and the thresholds for gifts and hospitality will be updated.
- 5.3 The Committee agreed that the Business Conduct Policy is reviewed and updated with the new thresholds.
- 5.4 The Committee **NOTED** the report.

6 Internal Audit

- a) Progress Report
- b) Annual Report
- c) Draft Head of Internal Audit Opinion 2016/17
- d) Draft Annual Workplan 2017/18
- e) RSM's Conformance With The IIA Standards

6.1 Internal Audit Progress Report

Nick Atkinson highlighted the following areas for the Committee to discuss:

- Risk management effectiveness (advisory review)
- Divisional governance review (advisory review)
- Medical job planning (partial assurance)
- Financial Accountability/Reporting and CIP (reasonable assurance)
- Data quality (partial assurance)
- Staff appraisals (reasonable assurance).
- Information Governance (advisory opinion)

The Committee had a discussion around the following:

- Risk management effectiveness: assurance on how controls on temporary staff are embedded locally; continuing checks on the rigour with which directorates/teams adhere to risk escalation policy.
- Divisional governance review: further comparative reviews similar to that done for Newham and Bedfordshire; explanation of why Newham's performance had declined in order to identify early warning signs that may be applicable to other divisions.
- Medical job planning: that the QAC view that the opinion of 'partial assurance' is harsh, and that ELFT is ahead of many Trusts, be reported where relevant to provide context.
- Financial Accountability/Reporting and CIP: action to engage early with commissioners to prevent a recurrence of the 2016/17 experience (commissioners' purchase of spare capacity fell short of that assumed in CRES savings).
- Information governance: to be updated on impact of appointment of permanent IG manager.
- Data quality: 3 indicators rated amber appear in Quality Accounts and therefore the Directors' statement should be amended.

ACTION: Steven Course

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

6.2 Internal Audit Annual Report

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

6.3 Draft Head of Internal Audit Opinion 2016/17

Nick Atkinson highlighted the following areas:

- The opinion is generally a positive one, at the same level as for 2015/16.
- There are 12 areas to address compared to the previous 20.

The Committee:

- noted that Internal Auditors are obliged to use the term 'adequate' for organisations with ELFT's current level of assurance.
- Requested that the term 'adequate' is qualified in public communications to make it clear that many areas have substantial or reasonable assurance.

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

6.4 Draft Annual Workplan 2017/18

The Committee **APPROVED** the Internal Audit annual workplan for 2017/18.

6.5 RSM's Conformance With THE IIA Standards

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

7 **Counter Fraud**

- a) Annual Report 2016/17**
- b) Draft Annual Workplan 2017/18**

7.1 Annual Report 2017/18

Zenda Butler highlighted the following points:

- The format of the report is determined by NHS Protect which sets standards to be complied with.
- ELFT has two non-fully-compliant areas: performance tools and resources to carry out role (no confidential working space). It was noted that due to lack of space it has not been possible to secure an individual office for the counter fraud specialist. Entrance to the Trust Headquarters and every floor is secure and thus confidential. There are facilities for officers who need to have private calls or meetings. Should space becomes available in future, an individual office will be provided.
- Analysis of investigations over the last three years shows that Luton and Bedfordshire has replaced Newham as the main source of problems to be investigated. This could be because the former provider (SEPT) did few formal investigations.

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

7.2 Draft Annual Workplan 2017/18

Zenda Butler summarised the report.

The Committee agreed that:

- Analysis and risk assessment should be undertaken as to where referrals for investigation come from, to enable a less generic, more targeted workplan to be developed.

ACTION: Zenda Butler

The Committee **APPROVED** the Workplan, subject to the above amendment.

8 **Draft Annual Accounts 2016/17**

The draft accounts were tabled.

The Committee noted that:

- All should read the accounts and respond to the Chief Financial Officer by 2nd May 2017 when KPMG would begin their audit.
- Accounts will be considered by the Audit Committee again on 23 May 2017 before final submission on 26 May 2017.

ACTION: All Committee members

The Committee **RECEIVED** the draft annual accounts.

9 a) **Annual Governance Statement 2016/17** b) **Quality Report 2016/17**

9.1 Annual Governance Statement 2016/17

The Committee noted that:

- The Annual Governance Statement will be updated to align with final Head of Internal Audit Opinion and a statement will be added that a number of risks did not reach their risk appetite score.
- Comments on the Annual Governance Statement for 2016/17 should be made to the Director of Corporate Affairs by Friday 28th April 2017.

The Committee **RECEIVED** the Annual Governance Statement

9.2 Quality Report 2016/17

The Committee noted that:

- The Draft Quality Accounts had been sent to members of the Quality Assurance Committee for comment.
- Auditors would commence work on the final accounts on 27th April 2017. A reminder to respond should be sent Quality Assurance Committee members.

The Committee **RECEIVED** and **NOTED** the Draft Quality Accounts.

10 Board Assurance Framework

10.1 The Committee noted that:

- A refreshed version of the Board Assurance Framework would be considered by the Board in May 2017.
- The QAC view is that the Framework should be used as a live document which changes in the light of internal and external events.
- The main risks are in relation to District Nursing and gaps in control for recently-acquired community health services in Tower Hamlets.
- The Deputy Chief Executive/Chief Nurse would henceforth be the Executive lead for the Board Assurance Framework.

The Committee **RECEIVED** and **NOTED** the Board Assurance Framework

11 Annual Review of SFIs

11.1 The Committee noted the following:

- The SFIs had been reviewed for consistency with European tendering limits; no amendments were required.
- Financial limits are set taking central guidance and comparison with other organisations into account.
- Checks are made as part of Internal Audit procedures.
- KMPG's advice is to insert links to policies and use wording 'expect at all times to be compliant'.

12 Waivers

12.1 The Committee received the following clarifications in response to questions:

- Alzheimers Society: the CCG programme for Dementia Advisers is run via the Alzheimers Society.
- Forest Gate Construction were commissioned for seclusion room work in Luton on the basis of the high standard of work in East London; expenditure to date is for feasibility and design work.
- Security company expenditure is for a licence.
- Tracking of cumulative expenditure, using procurement records, should be undertaken to check on overall spend with individual companies against waiver limits.

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

13 Note Business of Other Committees

a) Confirmed Quality Assurance Committee Minutes of 6 February 2017

The Committee **NOTED** the minutes of 6 February 2016.

14 Any Other Business

14.1 None reported.

15 Forward Plan

15.1 The Committee **NOTED** the Forward Plan.

16 Issues to be brought to the Board's attention

16.1 The Committee **AGREED** to bring the following to the attention of the Board:

- Draft Accounts 2016/17
- Internal Audit reports
- Counter Fraud Annual Report 2016/17

17 Date of Next Meeting

17.1 Tuesday 23 May 2017, 11.00-13.00, Boardroom, Alie Street.

CONFIRMED