

Audit Committee

Minutes of the Audit Committee held at 11:00am, on Tuesday 23 May 2017 in the Boardroom, Trust Headquarters, 9 Alie Street, London E1 8DE

Present: Paul Hendrick Non-Executive Director
Mary Elford Non-Executive Director
Kingsley Peter Non-Executive Director

In attendance: Dave Adams Deputy Director of Finance
Dion Campbell Financial Controller
Steven Course Chief Financial Officer
Georgia Denegri Interim Trust Secretary
Navina Evans Chief Executive Officer
Mason Fitzgerald Executive Director of Corporate Affairs
Sharon Kaur Internal Audit, RSM
Steve Lucas External Audit, KPMG
Neil Thomas External Audit, KPMG

The minutes are produced in the order of the agenda

1 Welcome and apologies for absence

- 1.1 Paul Hendrick welcomed everybody to the meeting.
- 1.2 There were no apologies.

2 Declaration of interests on items on the agenda

- 2.1 Mary Elford declared an interest as a Non-Executive Director of Health Education England (this organisation appears in the accounts of ELFT).

3 Minutes of previous meeting held on 25 April 2017

- 3.1 Consideration of the minutes was deferred until the next meeting of the Audit Committee.

4 No action log at this meeting (additional meeting for review of Annual Report and Accounts).

5 Update on Cyber Attack

- 5.1 The Chief Financial Officer advised the Committee of the handling of the Cyber security incident (Ransomware) on 12th May 2017. The Committee noted the following:

- The FBIC had received a full report and agreed actions.
- Only 6 of ELFT's 6,000 PCs were affected by the virus (2 in the Coburn Unit)
- Any risks created were due to connections to Barts Health systems, though these have been mitigated with practical adjustments in the short term.
- Tower Hamlets Community Services still use Barts system. Despite loss of

access to electronic records, no appointments were missed as patient lists had been printed.

- Barts Health anticipate that it will be 5-6 weeks until systems are up and running.
- ELFT patients are potentially affected by non-availability of Barts pathology and phlebotomy services. Solutions are being considered (for example, obtaining services from Homerton Hospital).
- The incident showed that action was needed on the following: ELFT's text message list (staff mobile numbers) was not up to date and laptops and mobile devices had not been patched. The actions are being followed up by FBIC.

The Committee received a verbal report on discussion of the incident by the FBIC committee and noted that:

- The FBIC has requested that Executive Directors should report to it on how IT security and compliance issues might be handled in strategic developments with STP partners.
- Due diligence (for example in taking over Tower Hamlets community services) did reveal exposure to risk associated with IT compliance in Barts Health. The CCG were requested to fund costs of addressing risks but the Trust's request was turned down.

The Audit Committee identified the following additional risks that should be considered as part of the programme of work identified by the FBIC:

- Scrutiny of IT failure/compliance risks: where within the ELFT governance structure should this fit?
- Inadequate physical security which may give rise to IT risks (e.g. alarm systems)

6 Annual Report 2016/17 (including Quality Report)

- 6.1 The Interim Trust Secretary advised the Committee that the documents were ready for submission within the set deadlines.

7 Recommendation for Approval of Accounts

- a) Summary Report**
- b) 2016/17 Accounts**

- 7.1 The Chief Financial Officer presented the Accounts. The Committee took into account the following when considering recommending them to the Board:

- The plan for a £4.5m surplus.
- There had been no major changes in how accounts are presented.
- Segmental analysis has not changed.
- Impairments reversal rational is due to increase in value of assets.
- Consultancy cost increases were due to work on the Tower Hamlets Community Services bid.
- The increase in receivables and other assets was due to timing of payments, in particular, delay in receipt of overseas patient income and a dispute with Luton CCG re property charges.
- Governance of decisions on exit packages includes Chief Executive sign-off

and approval by the Treasury if the package is outside contractual terms.

The Committee **AGREED** to recommend the Accounts to the Board.

External Audit

8 a) ISA260 Audit Highlights Memorandum

b) Independent Auditor's Report to Council of Governors

8.1 Audit highlights

Neil Thomas (External Audit, KPMG) drew the Committee's attention to the following aspects of the External audit findings:

- ELFT had achieved an 'unqualified clean' opinion on the three main audit dimensions (use of resources, financial statement, quality accounts).
- Nationally, a qualified opinion would occur with the following frequency:
Use of resources: 15-20 out of 200 trusts
Financial statement: 10-15 out of 200 trusts
Quality accounts: 0 out of 200 Trusts.
- Regulators believe segmented reporting should be in use, but ELFT's policies and notes give adequate justification for its approach.
- With regard to valuation of land and buildings, nothing significant emerges from the Alliance partnership arrangements.
- ELFT should ideally declare its provisions for debtors to commissioners but it is acceptable that commercial considerations prevent this.
- There are non-material differences between valuations based on floor area index and building cost index.
- Records for the National Audit Office require that differences of over £250k between commissioners and ELFT accounts are looked at. ELFT has confirmed this.

8.2 Quality Accounts

The Committee noted that:

- Annual reconciliations of quarterly reports remain an issue but delays in clinical reporting preclude reconciliation.
- A note has been added to the Quality Accounts to this effect.
- Board reports should include updated figures which permit reconciliation over time.

9 Internal Audit

a) Updated Annual Internal Audit Report 2016/17

b) Final Head of Internal Audit Opinion

9.1 The Committee had no questions on the report or opinion.

10 Audit Committee Annual Report

10.1 The Committee considered its draft annual report to the Board and suggested the following amendments:

- Governance in relation to the impact of savings plans – clarify which Committee's remit this should be
- The Audit Committee does not cover operational matters, and does not

function as a risk management committee but has a role in ensuring that proper processes are in place.

11 Any Other Business

11.1 There was none.

12 Forward Plan

12.1 There were no comments.

**13 Issues to be brought to the Board's attention
(e.g. Issues of limited assurance, new risks identified, good practice, actions to be referred to the Board/Committees)**

13.1 Accounts.
Annual Report.

14 Date of next meeting:

Tuesday 18 July 2017, 11:00 – 13:00, Boardroom, Alie Street

CONFIRMED