

Briefing from Audit Committee: 14 September 2010

Presented by Sarah Connor, NED, Committee Chair

Integrated Risk & Governance Committee Audit Committee was updated on recent IRGC meetings – the overall theme is that there is continued increase in the quality of input.

Finance Report There were no assurance issues. The IFRS requirement to update asset values each year may give rise to an impairment (technical adjustment in accounts) which has been flagged to SHA.

Board's Assurance Framework (BAF) The BAF process continues to improve. Cross-referencing of risks with the Board discussion dates and CQC registration are both big steps forward. Estates risks are to be communicated to CQC as a minor concern. Financial risks around achieving our surplus and liquidity were discussed and it was agreed to re-evaluate them for the Board meeting, as they may impact our FT application. It was noted that some risks are still awaiting update of mitigating actions and costs.

Clinical Audit Colin Johnston presented an update on the Clinical Audit function, which is crucial to Audit Committee's receipt of internal assurance. The function now reports to him and has developed its strategy and policy (ratified by BISE), together with an agreed boundary with clinical delivery. Accredited training has been delivered and annual audit plans are under development. The first priority is engagement in national (mandatory) audits, in most of which we are participating. There are resource issues this year which may prevent additional work.

RSM Tenon (our internal auditors) had carried out an audit earlier this year, with a “limited assurance” opinion, confirming that improvement was needed – all their recommendations were agreed and they are content that this improvement has been achieved.

Audit Committee requested that the Clinical Audit programme should be presented before or at the same meeting as the Internal Audit programme, to avoid duplication and / or gaps in coverage. This was agreed, and also that the programme would go to CQuAC first.

Audit Committee further requested that outcomes of clinical audits which link to significant risks should be reported through the BAF.

Audit Committee recognised this significant improvement and the benefit to the Trust.

Counter Fraud Progress Report June – August work included 13 days delivering fraud awareness events & other presentations (covering 237 staff); issuing articles (7 to date); agreeing strategy; pro-active work (review of patient transport services); reviewing our compliance with the Bribery Act 2010 and drafting a policy and code of conduct for the Trust (implementation deadline April 2011); and 12 days progressing 3 referrals (all of which relate to payments to staff for work not done or bank time claimed during contracted hours – estimated loss c £21k).

Auditors' Local Evaluation (ALE) Our external auditors (Grant Thornton) score us to assess how well we manage our resources and deliver value for money (for more detail see my April report). Our final score for 2009/10 has been confirmed at 3 (2008/09: 3). Within that score however, we improved against 2008/09 in the elements for Financial Standing (4 vs 3) and Internal Control (3 vs 2).

Grant Thornton (GT) highlighted 3 key areas for improvement:

- further information in the Annual Report on progress against objectives and environmental footprint
- further work to strengthen risk management, and better links with the Statement on Internal Control
- regular reports to the Board with Estates KPIs.

GT noted that the accounts and working papers for the audit were the highest quality out of all their clients.

The ALE framework has now been abolished and we will be monitored in a different way (awaiting details): in the meantime GT will build key areas into their annual audit process.

The Audit Commission is being disbanded, but not until 2012.

ISA260 (Grant Thornton's annual report) - confirmed that recommended actions have been completed or will be done by the end of September.

Review of external auditors' performance GT provided a paper noting performance against agreed deadlines, fees, report dates and attendance at Audit Committee meetings. I had requested feedback from Audit Committee members and Trust executives prior to the meeting, and was able to report that I had received good input, in terms of the relationships and GT's professionalism.

External Audit fees GT will bring information about 2010/11 and 2011/12 fees to the January meeting, following an Audit Commission meeting in October.

External Audit Annual Letter This is a formal document which will be published. It includes the key areas for improvement listed under the ALE heading; the audit of our accounts; our ALE assessment & scores; and audit fees.

CQC Assurance Report Audit Committee was updated on CQC registration. As noted above (BAF), the Trust has identified concerns about Estates (outcome 10) which require notification to CQC. There has been significant progress on Management of Medicines (outcome 9), but there are still minor concerns recorded.

Internal Audit Report RSM Tenon's report updated Audit Committee on 11 finalised audits from 2009/10 (2 substantial assurance; 5 adequate assurance; 1 limited assurance (clinical audit, noted earlier); 2 follow-up audits with reasonable progress; 1 thematic review on performance management where the same audit is done across their client base and we will get comparative feedback) as well as on 2010/11 finalised audits (3 reasonable assurance; 1 limited assurance (medical devices management, covered later).

There was some discussion around a recommendation from the Bank & Agency audit for EWTD (European Working Time Directive) monitoring for compliance which had been rejected as too difficult and agreement reached that HR would work with IA to come up with a revised agreed action.

Audit Committee noted the significant progress identified during the audit of the Assurance Framework, and complimented the Risk Management team.

3 audits planned to come to this meeting had not been finalised in time, due to leave within the Trust. We have agreed that IA will finalise reports as soon as the debrief meeting has taken place and not wait for formal sign-off.

The new Audit Committee handbook has still not been issued, although we have a draft copy. We agreed that Audit Committee must assess the sources and quality of assurances, especially from within the Trust, and we will get a group together to start this process.

Internal Audit Plan Having already agreed an interim plan through to the end of August, the plan for the year has now been approved by DSG. Colin Johnston confirmed that there is no overlap with the Clinical Audit programme. Audit Committee approved the plan.

The plan for 2011/12 will go to DSG in December and be presented to the Audit Committee January meeting. Anna Anderson noted that she would like to see more aggregation of audits to gain better value for money.

Audit Committee membership In order to increase value for money, Audit Committee agreed that the membership should be reduced to 3 NEDs, with a quorum of 2. This will now be taken to the September Board meeting as a recommendation for approval, and will be reflected in revised Terms of Reference. We have also asked attendees to review their numbers for the same reason.

Losses & Compensation Audit Committee approved the schedule.

Waiver Register Audit Committee approved the schedule, which Phil Bradley has re-formatted to facilitate review and approval. It was agreed that Finance would present information about the process for approving contract renewals at the next meeting.

Outstanding Internal Audit recommendations There are only 2 outstanding items, both low priority, only just past their due date, and nearly finalised.

Gifts & Hospitality Register 2 items noted. Audit Committee queried whether the Register was complete and if the process is working. Executives took an action to reinforce the process.

Register of Interests Received and noted.

Internal Audit Report on Medical Devices Management – limited assurance opinion There were problems in verifying the existence of assets on the database and vice versa; and with training and training records. Estates have undertaken to sort out both of these, which will also be necessary for NHSLA and CQC Registration. They have instigated a full audit and recruited a trainer, and are setting up a better procurement process. Other actions will take longer to complete but Audit Committee agreed this doesn't increase clinical risk. There were questions about potential write-off, which will be reported to the next meeting.

AOB

- **amendment to SFIs** we agreed that the description “senior managers” should be amended to add more clarity
- **requirement to publish non-pay payments** we noted that the Trust will publish, from October, all non-pay payments, as required, by linking a monthly file on the internet site to the government website “data.gov.uk”. We also recommended that there should be no de minimis amount, as encouraged, and cautioned that publication must exclude personal data.

Date of next meeting is 17 January 2011.

Sarah Connor
NED Chair of Audit Committee
21 September 2010