

Agenda item: 18/42

Report to: Trust Board
Title of Report: Audit Committee Assurance Report to Board
Date of meeting: 25 October 2016
Recommendation: For discussion
Chairperson: John Brougham, Non Executive Director

Purpose The report summarises the assurances received, approvals, recommendations and decisions made by the Audit Committee at its meeting on 25 October 2016

Background The Committee meets bi monthly and provides assurance to the Board:

- on all aspects of internal and external audit
- that effective assurance controls, structures, systems and processes for integrated governance, risk management and internal controls are in place
- on the appointment of the internal and external auditors

Business undertaken

Chief Financial Officer Overview

The Committee was updated on the latest financial performance of the Trust. It was noted that the Trust had made an application to NHS Improvement (NHSI) for funding, however a response had not yet been received. In the interim a temporary loan of £2.7m has been received from NHSI to cover immediate cash requirements

Report on Accounting Treatment

The Committee received a report on the accounting treatment of £2m payable to Watford Borough Council for the access road construction at Watford General Hospital in line with the Watford Health Campus Agreement (CA) signed in June 2013 and the various disclosure requirements in the financial statements required for the year ending 31 March 2017.

The accounting treatment was endorsed by the external auditors and approved by the Committee

The Committee also received a proposal to change the basis of valuation of land and buildings to 'alternative site basis' for St Albans and Watford sites, whilst Hemel was already valued on this. The accounting change was endorsed by the external auditors, and the impact on the Trust's balance sheet and deficit will be subject to their audit of the valuation

The Committee approved the proposed change in valuation, and whilst recognising that this valuation approach is becoming

increasingly common in the NHS, asked the CFO to inform NHSI of the change

Assurance report on Charitable Funds Committee

The Chairman and Executive Leads of the Charitable Funds Committee (CFC) attended the meeting to update on work of the Committee. They reported that a Head of Fundraising for the charity had been recruited to raise the profile of the charity and lead on building the systems and structures required for successful fundraising. The CFC was also reviewing the Terms of Reference in response to new charity legislation and was in the process of developing a strategy to increase the fundraising activity.

The Committee was advised that new governance arrangements were being put in place and that a risk register is being created. The Charity had also changed its investment portfolio to fit more appropriately with the Committee's risk appetite.

The Committee was advised that the CFC required more resources to enable the Charity to meet its terms of reference, although it was explained that currently the charity is out of kilter with others in terms of its overheads. The Chair asked if the charity was at a point when further investment might help move the charity forward and increase donations. The Chair and Executive leads agreed to assess the optimum approach to increase resources, including investing in appropriate software, and/or people to support fund management, recognising the risk reward factors

The Committee thanked the CFC for the improvements made in governance and compliance.

Quality compliance framework update

Discussion on this item was deferred to the next meeting in December 2016

Update on Waivers and progress made for Environment Division

The Committee received a report from Estates in response to a concern raised on the continuing number of avoidable, retrospective waivers. The report highlighted the lessons the division had learnt from the process and steps that have been implemented to reduce retrospective waivers.

The Committee agreed that the recommendations were appropriate, in particular working closer with Procurement and improving forward planning, and recommended that they should apply across the Trust and not just in Estates.

Updated Gifts and Hospitality policy

The Committee received an updated Gifts and Hospitality Policy for approval. A set of proposed rules which underpin the policy had been agreed by the Committee in August. The Committee recommended approval of the policy by the Trust Board.

Internal audit update

The Committee received a progress report on the internal audit programme and noted progress with the plan. The Committee was informed that three reports (CQC Action Plan, Recruitment, and

Budgetary Control) had been issued as final.

From now on, following finalisation of reports and recommendations with the Lead Executive, all new internal audit reports, and progress on implementation of recommendations, will be reviewed by the Executive Committee on a quarterly basis. In addition each appropriate Board sub Committee will review new reports and findings immediately following finalisation.

This process will improve assurance on control issues and corrective actions for Board members, in addition to the scrutiny by the Audit Committee which will be unchanged

Local counter fraud service (LCFS) report

The Committee received the LCFS report and was informed that whilst no high level fraud or bribery risks was apparent, there was a lack of awareness throughout the Trust of when and who to contact when criminal activity was suspected. Benchmarking data across had revealed that the level of referrals from the Trust, compared to organisations of a similar size were significantly lower. The Committee was assured that plans were in place to increase staff awareness on fraud and fraud related activities.

Review of tender/waiver register

The Committee noted the waiver register and it was agreed that the trends would be monitored to gauge the effectiveness of the actions agreed above

Review of Loss and Compensation Register

The Committee received a report on losses and compensation for the period August to September 2016 and was assured that the process of valuing lost property and accepting responsibly was robust, and where there was doubt, cases were referred to LCFS.

Review salary overpayments

The Committee reviewed the number of overpayments and it was agreed that the Chief Financial Officer would review the process of submitting leavers' forms to get an understanding on how the process could be made more effective.

Central register of interests

The Committee noted the register

Gifts and hospitality register

The Committee reviewed the Gifts and hospitality register and it was noted that the new policy should make it much clearer to all staff on what is acceptable and where necessary the approval levels required.

Use of the Trust Seal

The Committee noted that the Trust's seal had not been used since the previous meeting.

None

**Risks to refer to
risk register**

Issues to escalate to Board

- 1) Approval of the Gifts and hospitality policy
- 2) Trust's seal had not been used since the previous meeting.

Attendance

John Brougham, Non-Executive Director (Chair)
Phil Townsend, Non-Executive Director
Don Richards, Chief Financial Officer
Stephen Dunham, Assistant Director of Finance & Commercial Development
Onali Mohamedali, Financial Controller
Tapiwa Songore , Assistant Trust Secretary (notes)
Gemma Higginson, Managing Consultant, RSM
Clive Makombera, Director, RSM
Ade Oyerinde, Manager, Grant Thornton
Andy Mack, Director, Grant Thornton
Louise Halfpenny, Director of Communications (item 09/05)
Jonathan Rennison, Non-Executive Director (item 09/05)
Lisa Gray, Business Manager (item 12/05)