

Report to:	Trust Board (Public)	Agenda item:	SFT 4019
Date of Meeting:	12 th April 2018		

Report Title:	Audit Committee	Date:	19 th March 2018
Prepared by:	Paul Kemp, Chairman of Audit Committee		
Executive Sponsor (presenting):	Paul Kemp		
Appendices (list if applicable):	None		

Recommendation of items for escalation :
<p>The following points are raised for Board noting;</p> <ol style="list-style-type: none"> 1. The situation regarding the Trust's going concern status and the possibility that the auditor may qualify the accounts with respect of financial sustainability and separately for use of resources 2. The ongoing investigation into an alleged fraud by two agency nurses

The following is a summary of the discussion in the meeting and is not intended to act as a formal record of the proceedings.

The committee reviewed notes from the Finance Director and BDO regarding planning and assumptions for the completion of the 2017/18 accounts and annual report. Overall, the plan was well advanced and articulated and the committee took assurance that the process would complete effectively. A small number of specific points were raised for management to consider in their final presentation of the accounts, most of which were minor and technical, but the following are worth bringing to the Board's attention;

- Management presented a good summary of the likely position on going concern, which was directionally similar to that of the past two years. However, fiscally the Trust's position is worse than previous filing outcomes and BDO alerted the committee that not only may they need to comment on the overall financial sustainability of the trust, as was done by KPMG last year, but may also need to formally qualify their view on the Trust's effective use of resources. In stating this, BDO partner commented that the need for this qualification will be significantly impacted by their opinion as to the robustness of the Trust's Financial Recovery Plan at the point of the review. The BDO partner also stated that up to 30% of NHS Trusts may well suffer a qualification regarding their use of resources in their annual report.
- The Committee noted the point made by management in their paper regarding the likely impairment of the data warehouse intangible asset. Management were asked to provide broader formal assurance to the May committee meeting regarding the extent of intangible assets on the balance sheet and their status in terms of recoverability of these values through the delivery of future benefits.

The committee discussed the proposed 2018/19 internal audit plan and counter fraud work plan presented by TIAA. It was noted that these plans were subject to potential major change, as both of these contracts are in process of re-tender. However, the committee were happy that these plans were a suitable basis for any interim period until the tender processes are resolved. It was noted that the 2017/18 internal audit plan was running substantially behind schedule, with 10 investigations not complete as at the date of the meeting, of which three had not yet commenced fieldwork. Neither management nor TIAA felt that this carry over of the plan was a significant risk, which was accepted by the committee.

Reviews were undertaken of eight internal audit reports, together with a separate report on coding accuracy by D&A.

- Comments were fed back to management regarding the audit of cyber security, which was found to be only limited assurance, and agency spend controls, scored as reasonable assurance. It was discussed and acknowledged by the committee that recent events had significantly interrupted the IT team's progress in completing listed recovery actions, but that the nature of the interactions which recent events had facilitated with external experts in the field had in fact provided a positive input to the general strengthening of controls. With regard to both of these audits, the committee fed back that they were not sufficiently assured that the action plans provided properly addressed the risks identified and management were asked to come back to the committee in July (agency spend controls) and September (cyber security) with a better articulated and "smart" set of planned actions that would take these points through to mitigation.
- The audit of mortality and morbidity was noted, but not reviewed in detail, with the committee being satisfied that

this had been dealt with in the more appropriate setting of the Clinical Governance Committee

- The report of the audit of financial accounting found this function well managed and scored substantial assurance, with no significant improvement actions noted. The committee congratulated the Finance Director on this outcome and asked that the relevant Finance team should be notified of this.
- The remaining reports covering serious incident investigation action planning implementation, debtors, creditor payments, Odstock Medical and payroll were all scored as reasonable assurance. The committee discussed some of the specific action plans relating to these audits.
- The report on coding accuracy continued to show a good outcome. There were small number of relatively minor discrepancies found in the sample tested from Trauma and Orthopaedics, but none for the samples taken from Ear, Nose and Throat, nor for Urology. There was some discussion regarding audit methodology, but generally the committee were happy to take assurance from this report.

The main point of discussion from the report from the Local Counter Fraud Officer's report was the uncovering of an alleged fraud perpetrated by two agency nurses regarding claims of attendance on specific shifts. The investigation is not yet complete, but one of the alleged perpetrators has been interviewed under caution and the LCFO felt it appropriate to update the committee at this point. The LCFO stated that there was strong evidence that the person interviewed had indeed fraudulently claimed payment for shifts not attended and the matter is being passed to management for a decision as to how to proceed. The committee noted the progress report, but clearly the process is not yet at a point where further discussion by the committee would be helpful. However, there was some

discussion as to what these incidents might tell us regarding the effectiveness of the controls within the Trust regarding time recording and creditor payments, both of which had been recently reviewed and found to have reasonable assurance through internal audit testing. Management were asked to be prepared to discuss these aspects of controls at a more appropriate time at a future committee meeting.

The committee then went into a private session to discuss some points raised by the chair on observations regarding the overall state of effectiveness of management control and what role the committee might play in future in assisting the CEO and executive team in moving forward with their plans for change in the running of the Trust. The debate was very positive and actively participated in by all present. The discussion largely revolved around a definition of the key points of focus that needed to be addressed and the opportunities for better communication from the executive team as to objectives and milestones to give the committee a focus for future reviews. The CEO was clear that this needed to be seen as strongly linked to the Board and senior management development programme recently launched, which was accepted by all. The CEO and FD committed to coming back to the committee with some more detailed responses to the points raised at a future meeting.