

Report to:	Trust Board
Title of report:	Audit Committee Report to Trust Board
Date of meeting:	25 May 2018
Status:	For Discussion
Chairperson:	Mrs Sarah Dunnett, Non-Executive Director
Author:	Mrs Jayne Warner, Trust Secretary

Purpose	To provide the Board of United Lincolnshire Hospitals NHS Trust with a formal report of the work of the Audit Committee since its last meeting, the assurances that have been received and validated, and those that are missing along with the actions to address them.
Background	This committee meets at least quarterly and takes scheduled reports from the Trust's Internal and External Audit Providers, Counter Fraud Service, Finance Director and other parties in accordance with an established work programme.
Business undertaken	<p>The Audit Committee have met on two occasions since my last report to the Board on 26 January 2018. All meetings were quorate with good attendance from all sub-committee chairs.</p> <p>Annual Accounts</p> <p>The Committee received an update from the Trust's External Auditors and the Trust's Finance team on the production and subsequent audit of the Annual Accounts. Good progress was being made to timetable with no issues noted to date. Due to late drafting, the Committee did not receive the draft 2017/18 Annual Governance Statement and Annual Report. The Committee agreed to consider at an additional meeting. The Committee, in conjunction with the Quality Governance Committee, must agree how it discharges its responsibilities for the Trust's 2017/18 Quality Account (required by 30 June 2018). This also includes assurance on the data quality of numbers presented in this account.</p> <p>Internal Audit</p> <p>The Committee received the Internal Auditor's progress report. This highlighted that the 2017/18 programme of work was still to be completed, despite a number of reports having been issued. Delays related to both Trust and internal audit processes and capacity. Although the Committee were disappointed at the status, they were assured of the process to improve for 2018/19 financial year. It was agreed an additional meeting would take place as soon as possible to sign off all 2017/18 outstanding reports</p> <p>The Committee were disappointed to note that a number of internal audit reports had limited assurance opinions. Of significance were those that related to the overall governance structure of the Trust e.g. Risk Management, BAF and project delivery most notably around the FIP</p>

	<p>programme. The Committee sought further assurances through the relevant board sub-committee that action plan delivery would be scrutinised.</p> <p>The Committee also received, in draft, the overall Head of Internal Audit’s Opinion which was limited overall assurance. The Audit Committee whilst disappointed, were not surprised, and considered it to be an accurate reflection of the state of the Trust’s internal controls systems and consistent with reports received throughout the financial year.</p> <p>Counter fraud The Committee received the Counter Fraud progress report and were assured on the:</p> <ul style="list-style-type: none"> • training of staff which was consistent above 95% target • completion of the Trust’s annual self-review which was predominately positive • the coverage of the proposed 2018/19 counter fraud operational plan • status and progress on current investigations and implementation of actions to improve control. <p>Risk Improvement Plan The Committee considered the detailed risk management internal audit report, together with the action plan to improve risk management Trust-wide .Whilst assured on contents of the plan the Committee remained concerned about organisational capacity to deliver at pace and agreed to monitor progress at each meeting. The Committee considered the detailed risk management internal audit report, together with the action plan to improve risk management Trust-wide.</p>
	<p>CHKS Income Report</p> <p>The Committee received the CHKS income report action plan and update. The committee remained concerned about completion of the action plan and implementation. Further assurance was sought from FSID.</p>
	<p>Compliance</p> <p>The Committee remained to be assured around the high level of waivers, although acknowledged that recent fire enforcement action had necessitated a large number.</p>
	<p>Informal Meeting</p> <p>An informal meeting of the Audit Committee non-executive directors was held on 10 May 2018. The purpose of this meeting was to review a draft copy of the Trust’s accounts, with the Director of Finance and key team members in advance of the formal meeting of the Audit Committee on</p>

	<p>25th May 2018.</p> <p>The meeting gave an opportunity for Audit Committee members to ask detailed questions of the Finance Team on the accounts, the accounting policies, and notes to the accounts before the formal meeting with the Trust’s external auditors. The meeting was helpfully supplemented by a detailed briefing prepared by the Finance Team which outlined performance against financial targets, reasons behind big year-on-year variances, major areas where judgement had been applied, evidence base and sources of assurance. This helped triangulate knowledge gained from other external sources and within individual sub-committees aiding member preparation and understanding for a recommendation to the Board. Key issues discussed were:</p> <ul style="list-style-type: none"> • The relationships between activity levels and movements in income levels • Judgements that had been made on stock, asset levels, debtors, year-end staff costs, PFI accounting treatment and inventories • The disclosure note on going concern.
<p>Risks to refer to risk register</p>	<p>No additional risks to highlight.</p>
<p>Issues to escalate to Board</p>	
<p>Challenges and exceptions</p>	<p>Beyond specific issues contained within individual internal audit reports the Committee were concerned about the number of incomplete items to the meeting. This is a clear reflection of the relentless capacity issues that the Trust is currently facing and a matter for further Board discussion, prioritisation and support.</p>
<p>Future items</p>	<p>The Committee is to meet again on 25 May 2018 to formally receive the annual financial statements, including the annual governance report and ISA 260 from the Trust’s external auditors. Members should note that the responsibility for the Quality Account will be discharged after May 2018, in accordance with the submission timetable for NHS trusts.</p> <p>Matters which the Committee will be addressing at its next regular meeting include:</p> <ul style="list-style-type: none"> • Receipt and sign-off of the Quality Account, in accordance with statutory requirements, ensuring consistency with other documents, such as the annual report, and with appropriate scrutiny of quality indicators. • New guidance recently issued by HFMA and the Committee’s self-assessment against this. A report and action plan will be considered at the next meeting to ensure implementation of best practice moving forward. • Committee terms of reference which will be updated to reflect new guidance and latest governance requirements of the Trust,

	<p>including the recent review of board committees, 2021, and the new BAF and risk register. As part of this review reporting from the sub-committees to the Audit Committee requires formalising and strengthening.</p> <ul style="list-style-type: none"> • The timely delivery of the 2018/19 internal audit plan, with improved delivery, follow-up arrangements and client-side management arrangements. • Assurance on the delivery of clinical audit pan Trust. • Receipt and review of outstanding internal audit reports from 2017/18 and subsequent implementation of related action plans. • Revised SFIs and SOs, which are currently being updated.
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