

<b>Report to:</b>	Trust Board
<b>Title of report:</b>	Audit Committee Report to Trust Board
<b>Date of meeting:</b>	18 <sup>th</sup> January 2019
<b>Status:</b>	For Discussion
<b>Chairperson:</b>	Mrs Sarah Dunnett, Non-Executive Director
<b>Author:</b>	Mrs Jayne Warner, Trust Secretary

<b>Purpose</b>	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.
<b>Background</b>	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.
<b>Business undertaken</b>	<p>The Audit Committee met earlier this month on 18<sup>th</sup> January 2019. The meeting was quorate with attendance from both the Chairs of FPEC, QGC and Workforce and Organisational Development Committees.</p> <p><b>External Audit</b></p> <p>The Committee considered the External Audit Plan for 2018/19 from the Trust's external auditors, Price Waterhouse Coopers (PwC).</p> <p>The Plan was reviewed and agreed by the Committee, and finalised following some minor wording changes.</p> <p>The Board are asked to note:</p> <ul style="list-style-type: none"> <li>• The significant audit risks identified in income and expenditure recognition, override of management controls, valuation of property, going concern and use of resources. These drive the design of the external auditor's testing. The risks are not dissimilar to those of other NHS Trusts, but are greater within ULHT as a result of its challenged operating environment and regulatory intervention.</li> <li>• The level of overall materiality, and clearly trivial reporting deminimis, which have been set for the 2018/19 statutory audit at £8,747,000 and £300,000 respectively.</li> <li>• The proposal to the QGC that the following indicators are to be subject to a data quality audit as part of the annual audit of the Trust's Quality Account: 62 day cancer, 4 hour A and E and SHMI.</li> </ul>

	<ul style="list-style-type: none"> <li>An increase in audit fees of £6,750. This is a result of additional NAO procedures required for Whole of Government Accounts, and changing requirements of the FRC, which now identify the Trust as a 'high profile client', necessitating a different, and more detailed, sign-off within Price Waterhouse Coopers.</li> </ul>
	<p><b>Internal Audit</b></p> <p><i>The internal audit progress report was received</i></p> <p><b>Assurance reports</b></p> <p>Three assurance reports were provided:</p> <ul style="list-style-type: none"> <li><i>Estates Ordering and Invoicing</i> (Limited Assurance). This report has already been received by FPEC who have requested a detailed action plan to their next meeting.</li> <li><i>Pay expenditure</i> (Significant Assurance). The Committee have requested that the Workforce and Organisational Development Committee to consider further actions taken to address payroll overpayments and subsequent recovery. A schedule of overpayments is now provided to every Audit Committee meeting.</li> <li><i>Integrity of General Ledger and Financial reporting</i> (Significant Assurance).</li> <li>A further report, on <i>Governance</i> is still to be finalised. The Committee were extremely disappointed not to receive this report, as it is a significant piece of work and has been ongoing since May 2018. An additional meeting of the Committee will be required in March 2019 to consider this report on finalisation.</li> </ul> <p><b>Internal audit follow-ups</b></p> <p>Progress is being made on a new electronic follow-up system but not on the implementation of recommendations. At the time of the Committee meeting, 114 actions were outstanding, 60 of which had received no progress response or update. The Director Finance and Trust Secretary are working to improve this, but the Committee remain increasingly concerned and raise the matter for Board consideration.</p> <p>There are three areas of high risk still outstanding on: Business Continuity Planning, Risk Management, and Mental Health Act compliance.</p>

	<p><b>Head of Internal Audit Opinion</b></p> <p>Although this is still ongoing, indications at this stage of the financial year, are that, whilst improvements have been noted significant concerns remain in the Trust's overall control environment.</p> <p>Highlighted in the interim report for the Board to consider and action are:</p> <ul style="list-style-type: none"> <li>◦ Further work on the BAF, on assurances provided and triangulation, timetables for implementation and cross-referencing with Board committees.</li> <li>◦ the overall number of limited assurance opinions.</li> <li>◦ follow-up of outstanding internal audit recommendations (current rate 44%).</li> </ul>
	<p><b>Counter fraud</b></p> <p>Compliance with the Trust's mandatory fraud awareness training has been improving over the last 3 months (currently 93.6%).</p> <p>There has also been an increase in the number of internal fraud investigations, though this is likely to be a result of increasing awareness and subsequent reporting.</p> <p>The Committee were assured by the approach to investigations, and subsequent liaison with the Finance Director and Internal Audit function to strengthen overall controls, where necessary. However, the Committee were keen to highlight the continued need to encourage staff to report and raise concerns, and felt strongly that the Board should consider further mechanisms to support awareness and communication as a wider programme of leadership and organisational cultural development.</p>
	<p><b>Governance</b></p> <p>A report from the Director of Finance was received and the Committee <i>were not</i> assured:</p> <ul style="list-style-type: none"> <li>◦ on progress being made to update Pan-Trust policies, both clinical and non-clinical and sought further assurance from the Executive.</li> <li>◦ By accommodation occupancy payments being made to a third party and sought further assurance from FPEC.</li> <li>◦ The continued high number of waivers and their appropriateness. The Committee asked internal audit to investigate further.</li> </ul>

	<ul style="list-style-type: none"> <li>◦ The current status of the Trust’s SFIs and SOs which must be updated for the start of the next financial year in conjunction with the implementation of a new Trust Operating Model (TOM). However the Committee did note that an Executive lead group had just been established and was working at pace on the roll-out of the new TOM.</li> </ul> <p>An integrated year-end timetable was discussed, which incorporates greater ownership and stakeholder engagement, earlier start dates and, for the first time an integrated reporting process for the Trust’s accounts, Annual Report and Quality Account.</p> <p>The Committee were encouraged and assured by this, but are keen to ensure that it is adhered to.</p> <p>A draft Annual Governance Statement was tabled at the meeting for Committee review.</p>
	<p><b>Risk</b></p> <p>The Risk Management Improvement action plan was discussed and the Committee were assured of progress being made.</p> <p>The Committee noted that as a result of the implementation of the TOM, registers were being updated, realigned and cleansed.</p> <p>The Committee noted that the Board were due to consider risk appetite imminently.</p>
	<p><b>The Board Assurance Framework (BAF)</b></p> <p>The Board Assurance Framework was discussed and noted that whilst it was developing it was still work in progress, and that there was a need for the whole Board to get some momentum on review, alignment, refinement, use and reporting for 2019/20.</p>
<p><b>Issues to escalate to Board</b></p>	<p>Other than those specifically highlighted above:</p> <ul style="list-style-type: none"> <li>• The status of the current internal audit service procurement exercise</li> <li>• The need for the Board to consider strategic risks as part of the 2019/20 internal audit plan development.</li> </ul>