

## Cover report to the Trust Board meeting to be held on 26 March 2020

<b>Trust Board paper I</b>	
<b>Report Title:</b>	<b>Audit Committee – Committee Chair’s Report</b> (formal Minutes will be presented to the next Trust Board meeting)
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<b>Reporting Committee:</b>	<b>Audit Committee</b>
<b>Chaired by:</b>	Ms K Jenkins – Non-Executive Director
<b>Lead Executive Director(s):</b>	Simon Lazarus – Interim Chief Financial Officer
<b>Date of meeting:</b>	6 March 2020

**Account of key public matters considered by the Committee and any related decisions made:**

This report provides a summary of the key public issues considered at the Audit Committee on 6 March 2020:

- **Internal Audit risk assessment and Plan 2020/21** – Internal Audit representatives presented the draft Internal Audit Plan for 2020/21, reflecting a full risk assessment process and planning meetings held with key UHL staff. The plan was also scheduled for discussion at the UHL Executive Planning Meeting on 11.3.20. The Audit Committee Non-Executive Director Chair requested further assurance on the extent to which the plan was truly independent and risk-based, rather than being a reflection of UHL Executive Directors’ view of risks. She queried whether it was UHL or Internal Audit driving the plan, noting that it was being presented to the Audit Committee as an already-agreed product. In response, Internal Audit considered that the plan was transparent and based on whether other sources of assurance were available – although a view had initially been taken from the Trust on prioritisation of issues, Internal Audit had pushed back where appropriate. As detailed in the report, financial systems work was a key chunk of the plan and Internal Audit were also proposing a payroll audit (which was strongly supported by both the FIC Non-Executive Director Chair and the Interim Chief Financial Officer) due to previous control weaknesses. External Audit voiced their support for an Internal Audit focus on financial systems. In further discussion, the Audit Committee Non-Executive Director Chair advised that the Audit Committee needed to see the detailed scoping work underlying the Internal Audit Plan 2020/21, a view which was endorsed by the QOC and FIC Non-Executive Director Chairs – it was agreed to consider how best to share that detail with Audit Committee members without unduly delaying approval of the plan. The Audit Committee Non-Executive Director Chair advised that sight of the scoping document would also address a query now raised by the QOC Non-Executive Director Chair on whether the plan was focusing on appropriate clinical areas of concern/risk. Internal Audit confirmed that quarter 1 of the 2020/21 Internal Audit plan would focus on data quality work, draft terms of reference for which would be circulated to Audit Committee members before that review started. In light of the external financial review by PwC, the Audit Committee Non-Executive Director Chair advised that the Audit Committee would be approving only quarter 1 of the Internal Audit Plan 2020/21 at this meeting.  
**The Internal Audit Plan 2020/21 is highlighted to the Trust Board for information, noting the Audit Committee’s approval of quarter 1 of that plan.**
- **Internal Audit progress report** – since the January 2020 Audit Committee, Internal Audit had issued 2 final reports (see below – infection prevention, and data security and protection toolkit) and 1 draft report (five steps to safer surgery), completed fieldwork on the Corporate Governance (Quality Strategy) review, and issued terms of reference for the forthcoming salary maxing (employee benefits) review. With regard to actions from previous Internal Audit reviews, 3 remained overdue as detailed in the report. Although noting the reduced number, the Audit Committee Non-Executive Director Chair reiterated her dissatisfaction at such actions remaining outstanding and were overdue, particularly when they appeared straightforward to address as in the case of the Fraud Risk Assessment Validation report action. The Audit Committee Non-Executive Director Chair also sought further information on the nature of the current risk underlying Internal Audit’s Post-Project Review – Emergency Front Door Procurement report – in wider discussion on that review it was noted that the Deputy Chief Financial Officer was reviewing general procurement training and contract management issues with the Head of Procurement and Supplies. The Audit Committee Non-Executive Director Chair reiterated the need to update progress on the Internal Audit action tracking system. The Interim Chief Financial Officer requested that an overall risk rating be included for each report, as well as for each individual finding. The Interim Chief Financial Officer also suggested that the financial systems review would benefit from being repeated, to include a focus on controls – the Deputy Chief Financial Officer considered that this would be covered in the extra days allocated for the 2020/21 financial

systems work plan (as discussed above). The Interim Chief Financial Officer also clarified to the Audit Committee that UHL's Internal Audit function was provided by (a separate branch of) the company undertaking the external financial review. The Audit Committee Non-Executive Director Chair noted this point, commenting on the involvement of both Internal and External Audit in having provided control assurances re: UHL's financial position.

- **Internal Audit reviews** – as noted above, 2 final reports had been issued since January 2020; as these were neither medium nor high risk rated reviews the Audit Committee did not require the Executive Director lead to attend for consideration of the reports. The reports were now discussed as follows (in the temporary absence of the Audit Committee Non-Executive Director Chair – this part of the meeting chaired therefore by the QOC Non-Executive Director Chair):
  - [i] **infection prevention and control** (low risk) – the QOC Non-Executive Director Chair confirmed that he would contact the Chief Nurse for assurance that the recommendations were being progressed. He particularly emphasised the need for (at least) actions to be captured at all infection prevention meetings,
  - [ii] **data security and protection toolkit** (not risk rated) – the QOC Non-Executive Director Chair noted his plans to progress any issues with the Chief Information Officer as part of discussions on general IT reporting. Internal Audit considered that the 5 assertions had been met but that there was some further work to do. This was a new, non-mandatory assurance framework for 2019/20; additional Internal Audit days were being allocated to this in 2020/21 when the framework became mandatory.
- **Counter Fraud progress report** – the Audit Committee discussed the Counter Fraud progress report for March 2020, noting that work was on schedule. The anti-fraud review tool required sign-off by the Audit Committee Non-Executive Director Chair. In the absence of the Local Counter Fraud Specialist, Internal Audit requested that UHL nominate a Trust Counter-Fraud Champion. Progress was reported on the NFI exercise – which was welcomed – although some further responses were awaited from the Trust's payroll lead. In discussion, the Audit Committee Non-Executive Director Chair voiced some concern over delays in logging all fraud cases on the appropriate national system; she urgently requested that a timescale for doing this be confirmed by the Local Counter Fraud Specialist and she queried whether UHL was an outlier on this issue. The Audit Committee Non-Executive Director Chair also queried why this issue had not been flagged to the Audit Committee previously by the Local Counter Fraud Specialist. The Audit Committee Non-Executive Director Chair further requested that more detail be provided to the Audit Committee – as far as appropriate – on open cases, and she emphasised the need for more timely progress on investigations. Further discussion then took place on a specific instance raised by the Interim Chief Financial Officer, on which he was advised to seek specialist HR advice. The Interim Chief Financial Officer also sought information from Internal Audit on any specific HR factors affecting progress on fraud cases. The QOC Non-Executive Director Chair voiced disappointment at the number of Fraud Intelligence Bulletins and circulations not (yet) responded to by UHL.
- **Integrated Risk Report and Board Assurance Framework (BAF) 2019/20** – the Director of Safety and Risk and the Risk and Assurance Manager attended for this item, noting work with PwC to prepare for the risk appetite discussion at the March 2020 Trust Board thinking day. The Audit Committee Non-Executive Director Chair particularly queried why Principal Risk (PR) 9 (*failure to meet the financial control total including through improved productivity*) was not included in the report – on hearing the explanation that this situation had now materialised and was therefore no longer a 'risk', she emphasised her view that an updated entry should have been included in the BAF to reflect the current position. The Interim Chief Financial Officer agreed to reframe PR9 accordingly and include it in the next cycle of Executive and Board Committee reporting. The Audit Committee Non-Executive Director Chair requested a report to a future Audit Committee on how risks had subsequently materialised and were now documented and managed across the Trust. She also requested that further assurance be provided at the May 2020 Audit Committee on all of the high-rated organisational risks, including whether they were appropriately linked to/progressed through a Principal Risk. It was agreed that PR1 (*failure to deliver key performance standards for emergency, planned and cancer care*) would be the focus of the BAF deep dive at the May 2020 Audit Committee.
- **Deep dive into Board Assurance Framework Principal Risk (PR) 6 'serious disruption to the Trust's critical IT infrastructure'** – the Risk and Assurance Manager, the Director of People and OD and the Chief Information Officer attended for this item. The Chief Information Officer advised that dependency on IT would increase as the e-Hospital programme progressed, and he outlined the mitigating actions taken in the past 12 months to address issues such as (eg) risks from legacy systems. He also noted the IM&T strategy of moving away from data centre reliance towards cloud-based tech and solutions, including reviewing how such suppliers were supporting cyber-security requirements. The Trust's ongoing IT equipment refresh was also reducing cyber-security risks. In response to a question from the QOC Non-Executive Director Chair, the Chief Information Officer advised that PR6 needed updating to reflect any impact of the Trust's reconfiguration programme. In terms of whether the risk rating for PR6 was realistic, the QOC Non-Executive Director Chair queried the likelihood of achieving the target score of 16 – in response, the Chief Information Officer commented that might be aspirational (given the timing of

receipt of the required external funding). He agreed to share the basis for that target score (eg KPI progress etc – information to be circulated after the meeting). The Audit Committee Non-Executive Director Chair queried whether the Internal Audit Plan 2020/21 contained any days for IT work and strongly suggested that thought be given to reviewing the data centres (given the risk score of 20 for PR6) – it was agreed to discuss this further at the Executive Planning Meeting. In response to a query from the QOC Non-Executive Director Chair, the Chief Information Officer outlined the current position of the Trust's contract with IBM, noting that proposals on the way forward would be progressed through the Executive Planning Meeting and Executive IM&T Board. The QOC Non-Executive Director voiced concern that IM&T governance issues were not currently routed through a Board Committee, and it was agreed to consider this further outside the meeting (noting the QOC Non-Executive Director Chair's suggestion that PPPC was the natural group for that reporting route). In response to a resourcing question from the QOC Non-Executive Director Chair, the Chief Information Officer advised that there was a sliding scale of what could be delivered within the current IM&T resource – the Audit Committee Non-Executive Director Chair requested that this range be reflected accordingly in the entry for PR6. Following due consideration, the Audit Committee declared its view that the system of controls in place to manage PR6 was *generally satisfactory with some improvements required*.

- **Draft Annual Governance Statement (AGS) 2019/20** – the Director of Corporate and Legal Affairs confirmed that the model statement had not yet been issued by NHSE/I. Given that the AGS was likely to be impacted by the outcome of the external financial review, the Audit Committee Non-Executive Director Chair agreed that the AGS should only be reported to the Audit Committee once finalised. She also requested that the AGS include reflection on the assurance environment provided by External and Internal Audit in previous years. The Director of Corporate and Legal Affairs noted that he would liaise separately with External Audit regarding the CQC's January 2020 unannounced inspection of UHL's ED and any impact on the External Audit work plan.
- **Discretionary procurement actions** – the Head of Procurement and Supplies attended for this report, which listed all instances in which regular procurement processes had been waived in the period November 2019 – January 2020. As requested at the January 2020 Audit Committee, the report now contained additional detail compared to previous iterations. In discussion, the Deputy Chief Financial Officer noted the need to understand why procurement processes were being waived, a point which was endorsed by the Audit Committee Non-Executive Director Chair. The QOC Non-Executive Director Chair requested that future reports on discretionary procurement actions also highlight instances when such actions were linked to wider governance issues which had been raised at Board Committees.

**Items for noting**

- **Quality and Outcomes Committee minutes 19.12.19 and 30.1.20**
- **People, Process and Performance Committee minutes 19.12.19 and 30.1.20**
- **Finance and Investment Committee minutes 19.12.19 and 30.1.20**
- **Charitable Funds Committee minutes 6.2.20.**

**Public matters requiring Trust Board consideration and/or approval:**

**Recommendations for approval:-**

- None

**Public items highlighted to the Trust Board from this meeting:-**

- Internal Audit risk assessment and plan 2020/21

**Public matters referred to other Committees:**

- None

**Date of next meeting:**

22 May 2020