

Audit Committee

Minutes of the Audit Committee held on 30 April 2019 at 13:00 in the Boardroom, Robert Dolan House, 9 Alie Street, London E1 8DE

Present: Anit Chandarana Non-Executive Director (Chair)
Mary Elford Non-Executive Director
Eileen Taylor Non-Executive Director

In attendance: Dave Adams Deputy Director of Finance (item 12)
Zenda Butler Head of Counter Fraud
Jim Campbell Assistant Director of Finance (item 12)
Tanya Carter Director of Human Resources (item 7d)
Steven Course Chief Financial Officer & Deputy CEO London
Matt Dean External Audit Senior Manager, Grant Thornton UK
Elizabeth Holford Corporate Minutes Taker
Cathy Lilley Associate Director, Corporate Governance
Clive Makombera Internal Audit Manager, RSM

Apologies: Ciaran McLaughlin External Audit Director, Grant Thornton UK

The minutes are produced in the order of the agenda

1. Welcome and Apologies for Absence

- 1.1. Anit Chandarana welcomed all to the meeting.
- 1.2. Apologies for absence were noted as above.

2. Declaration of Interests on Items on the Agenda

- 2.1. Mohit Venkataram and Steven Course declared interests, in addition to those published previously, as Directors of Health and Care Space Newham.

3. Minutes of Previous Meeting held on 26 February 2019

- 3.1. The Minutes of the meeting held on 26 February 2019 were **APPROVED** as a correct record, subject to the following amendment:

- Para 4.1: Cathy Lilley to reword to make it clear that the reference is to data sharing between agencies on staff suspected for working whilst sick.

4. Action Log and Matters Arising from the Minutes

- 4.1. The Committee reviewed the action log and noted that all actions were either in progress or closed.
- 4.2. Under matters arising, Zenda Butler provided a verbal update with regard to publishing names of persons convicted of fraud. It has been agreed that the names will be removed 12 months post conviction.

5. Population Health: The Role of the Audit Committee

5.1 Cathy Lilley provided the background to the discussion on the role of the Audit Committee in the Trust's strategic priority of improving population health:

- The Board, at its recent Board Development Session, had agreed that each Board Sub-Committee should discuss its role in contributing to and measuring progress against this strategic objective
- Discussion at Sub-Committees would proceed in parallel with discussion at the Population Health Task and Finish Group which is considering how the Trust's structure, governance and scrutiny systems can best support achievement of the population health strategic objective
- The focus should be on demonstrating receipt of assurance consistent with the Audit Committee's specific role.

5.2 In discussion, the following observations and comments were made:

- Audit Committee has a high level role, seeking assurance on delivery of ELFT's strategy as a whole across all four priorities
- Internal Audit reports to each meeting should include a review of all four strategic priorities, accepting that there are limitations on the number of measures that can be included
- Priority should be given to addressing those issues identified by Internal Audit that would have a detrimental impact on the strategy as a whole
- The Audit Committee's role is to look at overall systems and processes. These should be scrutinised to assess their fitness for the purpose of achieving strategic objectives but being mindful of the potential overlap with the Board role
- The BAF should contain key risks to the delivery of strategic aims. Consideration as to how the Audit Committee can be confident that the BAF is effective in picking up key risks and that mitigating action is successfully delivered via BAF processes
- Ways of conceptualising and managing risks should be debated at a Board Development Sessions to guard against discussions proceeding at cross-purposes
- Interrogating the BAF is necessary but may not be sufficient to gain assurance on population health. Deep dives would a useful complement
- At present there is a gap in that activities agreed as a result of audit and deep dives are being delivered with the intended effect; IT is an example

5.3 Anit Chandarana summarised the outcome of the discussion. The proposed role of the Audit Committee in relation to population health would be to:

- Seek assurance on the delivery of the Trust's strategy as a whole across all four priorities, taking a high level role
- Use internal audit report actions and impact as a source of assurance to the delivery of the strategy
- Implement a rolling programme of deep dives linking to BAF risks
- Ensure consistency of BAF application in Board s Sub-Committees
- Identify and address gaps and overlaps in governance of strategic areas and understand where/how each are being measured
- Ensure there is an effective process for reviewing and managing governance in relation to the strategic priorities
- Seek clarity on Executive responsibility versus the responsibility of the Board's Sub-Committees.

5.4 The Committee further noted that:

- It would be premature to be too precise on the role of Sub Committees as the

- Task and Finish Group has not met yet.
 - The FBIC had agreed that its role in relation to population health is largely concerned with impact of spend and financial viability decisions.
 - The Quality Assurance Committee had received a presentation on practical actions to improve population health via CAMHS services, and had agreed to proceed in parallel with the work of the Task and Finish Group.
- 5.5 The Audit Committee **DISCUSSED** its role in relation to ELFT's population health strategic objective and **AGREED** that comments should be passed to the Task and Finish Group.
Action: Cathy Lilley
- 6. External Audit: Progress Report**
- 6.1 Matt Dean provided a verbal update, highlighting that discussion was in progress with Steven Course with regard to performance and systems for treating people within in six weeks.
- 6.2 In discussion, the Committee noted:
- External Audit's role in reviewing the Annual Report and Accounts, as well as in the processes for determining priorities for 2019/20, noting that:
 - The deadline for reviewing the Annual Report and Accounts is 29 May 2019
 - The Trust would welcome a more targeted approach to the content of External Audit briefings, i.e. these should focus on topical issues of specific relevance to ELFT's strategy rather than general 'news' as at present
 - Topical issues could include digital transformation, systems for internal control, NHS standards, learning from BHRUT, learning from examples elsewhere where financial control has gone awry, the regulatory environment for health Trusts - what is on the horizon, systems for integrated care.
 - NHS England and NHS Improvement publish findings from reviews of Trusts in special measures, illustrating the source and nature of weak controls. For example, a report on BHRUT poor cash management led the Trust to introduce regular reporting to the FBIC on aged creditors and performance against the Better Payment Practice Code. This is an example of good assurance action.
- 6.3 **Actions agreed:**
- External Audit will agree with the Trust a set of topics for briefings that will add value to the Trust in implementing its strategy
 - Steven Course will meet with External Audit representatives to agree a plan to be presented to the Audit Committee in July or September 2019
- Action: Steven Course/Matt Dean/Ciaran McLaughlin**
- 6.2 The Committee **RECEIVED** a verbal update and **DISCUSSED** contents of External Audit briefings.
- 7. Internal Audit Progress Report**
- 7.1 **Draft Annual Work Plan**
Clive Makombera introduced the Draft Annual Work Plan which had been produced following a Board Development Session.
- The Committee discussed whether the draft work plan covered the key issues of concern, noting that:
 - 'Making tax digital' reflects a legislative change but the nature of the risk is not

clear

- There is concern about the number of audits that resulted only in partial assurance, and about follow up on actions agreed. Cross referencing is required to indicate the risk associated with partial assurance combined with lack of follow up. A list of outstanding actions for partial assurance reviews should be considered by the Committee

Action: Clive Makombera

- The focus should move from the Corporate Risk Registers to Directorate Risk Registers. Although Directorate Risk Registers were audited two years ago, re-audit is required to assess alignment with the new strategic objectives
- Temporary staffing and medical job planning is not covered. This needs to be reconsidered
- The work plan should be split into sections to reflect Quality Assurance Committee responsibilities.

Action: Clive Makombera

7.2 **Draft Head of Internal Audit Opinion**

Clive Makombera presented the draft Head of Internal Audit Opinion and highlighted the main points for consideration:

- The opinion is an 'Amber-Green' rating which is positive and the same as for 2017/18
- Two partial assurance opinions underlie the 'amber' part of the rating
- Good progress has been made with the BAF but there should be a focus on the Directorate Risk Registers
- There are still challenges with data quality but project management has been put in place to address this.

The Committee **RECEIVED** and **DISCUSSED** the Draft Head of Internal Audit Opinion, and acknowledged the positive progress made during the year.

7.3 **Progress Report**

Clive Makombera highlighted progress in 2018/19 and invited questions.

In discussion, the Committee noted that:

- Significant work had taken place with Tanya Carter (Director of HR) to address ongoing and emerging HR issues
- Interdependencies between actions from different audits are hard to discern, leading to inefficiency in use of discussion time
- Clarity is required with regard to whether and how horizon scanning informs the scope and style of audit practice
- Clarity is needed about Internal Audit's style of follow-up and the nature of the escalation process
- Current presentation of outstanding actions (page 11 of report) does not give a balanced picture in terms of priority for the Committee's discussion time. Partial assurance actions should be given more weight.

Actions 2-5: Clive Makombera

The Committee **RECEIVED** and **DISCUSSED** the Internal Audit Progress Report and **AGREED** to consider further the Audit Committee role in ensuring audit actions are effective.

7.4 **Update Report on Workforce Actions**

Anit Chandarana welcomed Tanya Carter to the meeting to present an update on workforce actions.

Tanya Carter highlighted the progress with actions to redesign, standardise and improve compliance with appraisal processes:

- A single appraisal form has been designed, but limited Electronic Staff Record system functionalities have affected the wider ambitions being achieved. Staff are required to upload a copy of the completed appraisal form separately
- Issues to be addressed include how seconded staff are accommodated and limited access for teams such as the Integrated Learning Disability Service.
- The new system is at present suitable for approximately 70% of staff
- The appraisal cycle has changed from an April to a June deadline
- A train the trainer programme is in progress
- Levels of use of the new system are currently low. This is to be expected; however, it is anticipated this will change over the next three months.

In discussion the Audit Committee noted that:

- The HR team has sufficient resources and levers to implement actions in respect of appraisal
- Appraisals should be more meaningful and include identifying career aspirations and scope to provide manager feedback
- Pay increments will be based on completion of appraisals and not performance as recommended by NHS England
- Internal Audit will review a sample of appraisal processes, incorporating an assessment of whether attitudes and culture of appraisal have changed (staff experience strategic objective).

Action: Clive Makombera

The Committee **RECEIVED** and **NOTED** the appraisal update and **AGREED** to receive a further update in January 2020.

Action: Tanya Carter/Clive Makombera

8. **Counter Fraud Progress Report**

8.1 **Annual Report 2018/19**

Zenda Butler presented highlights from the Counter Fraud Annual Report:

- Intensive publicity and awareness raising programmes have been undertaken, especially in services new to ELFT in Bedfordshire
- A wide programme of reviews has been undertaken, including of processes and controls
- £117k has been recovered as a result of fraud investigations and £40k of duplicate invoices identified during 2018/19.

In discussion, the Committee noted that:

- Assurance on outcomes from fraud assessments would be presented, in the format of recommendations, at the next Audit Committee meeting
Action: Zenda Butler
- The graphs in the report are helpful and an asset to the Audit Committee in its assurance role
- The comprehensive report provides assurance that the Fraud Team is ahead of the curve and achieving excellent results
- The finding that less than 20% of people report concerns about suspected fraud requires further analysis. An update will be included in the Counter Fraud report

for the next meeting.

Action: Zenda Butler

The Committee **RECEIVED** and **DISCUSSED** the Annual Report and commended Zenda Butler and her team on their excellent work.

8.2 **Draft Annual Work Plan**

Zenda Butler presented the Draft Annual Work Plan, highlighting that its content reflect a standardised, nationally-determined approach.

In discussion, the Committee noted that:

- A new development is that a fraud risk register is to be introduced
- The appointment of a new Chief Executive of the Nursing and Midwifery Council presents an opportunity to raise questions about outcomes from cases referred to it
- The recommendation matrix to be presented to the Audit Committee at its next meeting will include responses to any identified system weaknesses.

The Committee **RECEIVED, DISCUSSED** and **AGREED** the Annual Work Plan, commending that it exceeded the statutory national requirements.

8.3 **Annual Fraud Risk Assessment**

Zenda Butler highlighted key considerations from the annual fraud risk assessment:

- The risk assessment for the first time includes strategic as well as operational risks
- ELFT's risk matrix has been used
- The 15 high risks will be included on the Corporate Risk Register and brought to the attention of the Audit Committee
- The annual fraud risk assessment proposes mitigation and controls which the Audit Committee could use for assurance and review purposes.

The Committee **RECEIVED, NOTED** and commended the annual fraud risk assessment.

9. **Risk Management:**

9.1 **Board Assurance Framework**

Not discussed.

9.2 **Deep Dives**

The Committee discussed the development of a programme of deep dives by the Committee and how these would be identified and prioritised. An approach would be to prioritise based on the difference between the target and current risk scoring on the BAF. This would be tested and a report brought back to the meeting in July.

Action: Steven Course

10. **Charitable Funds Annual Report year ended 21 January 2019**

10.1 Steven Course advised the Committee about arrangements for administering Charitable Funds.

In discussion, the Committee noted that:

- Funds linked to Bedfordshire Community Health Services have been transferred from Essex Partnership NHS FT Charity to Cambridgeshire Community Services NHS Trust to be managed on behalf of ELFT

- All remaining funds are managed by Barts and the London Charitable Foundation
- Both Barts and the London Charitable Foundation & Cambridgeshire Community Services NHS Trust have rigid governance processes in place that ensure that funds comply with both the wishes of the donor and demonstrate value for money
- Purposes of funds are specified broadly, i.e. to benefit staff and patients. Currently charitable funds generate minimal income and cannot be spent on NHS care
- Income is derived from endowments and occasional legacies. Over £1m is available in combined funds
- A task and finish group has been established to consider options for fund raising and making better use of the Trust's charitable funds.

10.2 The Committee **RECEIVED**, **DISCUSSED** and **NOTED** the Charitable Funds Annual Report for 2018/19.

11. Draft Annual Accounts 2018-2019

11.1 Steven Course provided a brief overview of the draft Annual Accounts report which had been considered by the Finance Business and Investment Committee.

In discussion, the Committee noted that:

- The Trust has received an additional £3.9m from PSF funds
- Accounts have not yet been audited
- There are significant differences from previous years, as a result of the impact of Bedfordshire service acquisition (e.g. EPUT and local authority staff pension schemes)
- Accounting policies have been reviewed
- Assets have been revalued without extending the asset life.

11.2 The Committee **RECEIVED** and **DISCUSSED** the Draft Annual Accounts and commended the Finance Team on clear presentation of figures and explanatory notes.

12. Draft Annual Governance Statement

12.1 Cathy Lilley introduced the Draft Annual Governance Statement, advising that:

- The statement is part of the Annual Report and Accounts and will be signed by the Chief Executive
- The statement provides assurance on controls and is based on a model format.

In discussion the Committee noted:

- The hybrid mail Information Governance incident is not included in the draft. Checks should be made as to whether this exclusion is correct.
- Key recommendations from the Mental Health Act review (controls to pre-empt cases reaching Tribunals) should be more comprehensively described.

Actions: Cathy Lilley

12.2 The Committee **RECEIVED** and **NOTED** the Annual Governance Statement.

13. Waivers

13.1 The Committee noted that

- The list of waivers was longer, due to the year end position and that graphs would be a regular feature of the report
- A policy on breaches (to manage and reduce the number of retrospective waivers) is being developed and will be presented once completed.

Action: Steven Course

13.2 The Committee **RECEIVED** and **NOTED** the Waivers report.

14. Annual Review of Standing Financial Instructions (SFIs)

14.1 Steven Course presented the annual review of the Trust's SFIs.

In discussion, the Committee noted that:

- SFIs can be updated at any time
- In response to staff feedback, it is proposed to raise the petty cash limit from £50 to £100
- Compass Wellbeing CIC, as a wholly owned subsidiary of the Trust, is subject to the same SFIs as ELFT. Value for money principles apply. This is an important safeguard especially as governance arrangements for Compass are embryonic. If SFIs inhibit Compass business, Mohit Venkataram will report to the Audit Committee by exception.

14.2 The Committee **RECEIVED, DISCUSSED** and **NOTED** the annual review of Standing Financial Instructions and **APPROVED** the proposed changes.

15. Quality Assurance Committee Minutes

15.1 No comments were received on the minutes.

16. Any Other Business

16.1 There was no further business

17. Forward Plan

17.1 The Committee **NOTED** the Forward Plan.

18. Issues to be brought to the Board's attention

- 18.1
- The role of the Audit Committee in Population Health
 - Deep dives to be undertaken at the Committee linked to the BAF
 - Approval of SFIs
 - Charitable Funds Annual Report approval
 - Significant work in Counter Fraud
 - Assurance received on workforce actions

19. Date of next meeting:

Thursday 23 May 2019 08:45 – 09:30 (Extraordinary) (Unison, 7th Floor Meeting Room prior to Board) prior to the Trust Board meeting.

20. Date of future meetings:

- Tuesday 9 July 2019
- Tuesday 10 September 2019
- Tuesday 12 November 2019

- Tuesday 14 January 2020

- Tuesday 10 March 2020

All meetings will be held in the Boardroom, Robert Dolan House, 9 Alie Street,
London E1 8DE from 13:00 – 15:00

The meeting closed at 15:00 pm