

**Summary Exception Report of the Audit & Risk Assurance Committee
meeting – September 2018**

EXCEPTION REPORTS	
Name of Committee	Audit & Risk Assurance Committee
Chair of Committee	Ms Margaret Schwarz, Non-Executive Director
Senior Officer Supporting Committee	Sally May, Chief Finance Officer
Date Committee Held	7 th September 2018
Key Decisions and Matters Considered by the Committee	
<p>The Committee received an update from Jacquie Kessell, Associate Director of Workforce on items 1 through to 3. These are actions arising from previous internal audits which had not been satisfactorily update or completed.</p> <p>1. Insufficient progress in achieving the target appraisal rate across the Trust</p> <ul style="list-style-type: none"> • Appraisal policy in place and available. • Training offered to all staff. • Pay progression blocked if employees are not appraisal compliant. • However, trajectory towards compliance is not being met • Internal audit confirmed that quality of appraisal was good in some areas, but not in every area. • HR&OD are looking at reasons why actions to date have not improved the position. <p>The Committee had insufficient assurance on this point so have referred the issue to the People and OD Committee to provide updates regarding progress and the Committee will review the assurance when it is available.</p> <p>2. Payroll Efficiencies</p> <ul style="list-style-type: none"> • Limited progress made in improving E Forms due to issue in payroll team. • Moves to reduce manual intervention in payroll require more engagement from divisions especially in medical staffing <p>The Committee awaits further information before it can be assured that these issues are addressed.</p> <p>3. DBS checks for senior level staff who are required to have them</p> <ul style="list-style-type: none"> • 167 staff DBS checks outstanding. • These are being addressed individually and where checks are not in place staff will be risk assessed and asked to complete a self declaration pending a full DBS check. <p>Kim Okeeffe, Chief Nurse, is working with HR to provide assurance that DBS are complete and in the interim that sufficient mitigation's are in place where required on these individuals.</p> <p>4. Audit South West Interim Report and Recommendation Tracker</p> <p>4.1 Audit South West gave a final report on enhanced financial control environment around pay and non-pay transactions (supplement to the Scheme of Delegation put in place in 2017/18) to ensure the controls are effective and robust. The findings suggest that the controls themselves are satisfactory, but evidence on the operation of the controls provides only limited assurance. The basis of the finding is the lack of accountability/ownership of the controls from the relevant managers. Therefore, the Committee can give no assurance that the processes in place are being followed rigorously enough to achieve control over expenditure.</p> <p>4.2 Audit South West gave a preliminary report on the review of the Winter Escalation Plan</p>	

Acting Chairwoman: Dr Mairi McLean

Chief Executive: Mrs Kate Shields

	(2017/18) where they found limited assurance. The escalation plan was written in line with national guidelines and staff had a good understanding of their responsibilities within the plan. However, many of the initiatives that were effective under Gold Command did not become embedded in common practice and so, fell by the wayside when Gold Command was stood down. In respect of the audit the Committee requested that audit report be finalised in draft promptly.
4.3	The audit of the response to the CQC report provided satisfactory assurance that action plans for meeting requirements are in place and followed. However, the auditors expressed concern over the failure to meet Duty of Candour responsibilities.
4.4	Other than disquiet over the 167 outstanding DBS checks, the Adult and Child Safeguarding audit found satisfactory assurance that requirements are met.
4.5	Duty of Candour compliance will be audited later in the year.
4.6	In relation to the Audit Recommendation Tracker the progress to date to close open actions was noted. The Committee received assurance that items would remain open until all respective evidence had been reviewed by Audit South West.
5.	External Audit Progress Report
5.1	The Committee received a progress report from Grant Thornton noting that planning for the 2018/19 financial statements audit would occur over the coming months, and a new audit approach and methodology would be used. Grant Thornton would also attend the Trust early in October to complete the 2017/18 audit of the Trust's Charitable Funds Accounts.
6.	Single Tender Actions (STA)
6.1	The Committee received details of the single tender actions that occurred between 11 June 2018 to 10 August 2018. The Committee asked for further information about a £100,000 single tender transaction relating to the pharmacy system.
7.	Losses and Special Payments Report
7.1	The Committee were provided with details of when the Trust incurred expenditure for losses and/or any special payments. Pharmacy provided the Committee with information about pharmacy losses which are running ahead of past years. The Committee was assured by the completeness of the report and actions taken to keep such losses to a minimum.
8.	Counter Fraud Report
8.1	The Committee received a progress report outlining counter fraud activity against which included the status of ongoing and new investigations, and other matters pertinent to the Committee. The Committee noted the contents of the report.
9.	Risk Report
9.1	The Committee received the report, which had also been discussed at the Trust Board meeting on Thursday 6 September 2018, the contents of which were noted.
10.	Audit Committee Annual Report
10.1	The annual report which presented the activities of the Committee during 2017/18 was received. Subject to a minor addition in relation to attendance by Non-Executive Directors at the Committee, the report was approved for presentation to the Trust Board at its 4 October 2018 meeting.
11.	Committee Self Assessment Findings
11.1	A review of the self assessment findings for the Committee was undertaken. It was noted that the findings from all Committee self assessments would be shared with the Trust Board in due course.
12.	Review of Risks and Controls around Financial Management
12.1	A report was received to provide assurance to the Committee that no significant issues relating to risk and controls around financial management had been identified. The need for the Trust to focus on the delivery of its savings plan was acknowledged.

13. Annual Review of Committee Terms of Reference

13.1 The Committee reviewed its Terms of Reference and some minor amendments were agreed which included the Chief Nurse, Medical Director and Chief Operating Officer becoming trimuverate members, thus ensuring that one operational Executive Director was always present. The revised Terms of Reference are attached for approval

Matters Requiring Board Consideration

Audit Committee Annual Report

Self Assessment Findings

Approval of the updated Terms of Reference for the Committee (Appendix A)

Date of Next Meeting

13 November 2018

SUMMARY REPORT		
TRUST BOARD (IN PUBLIC)		4 October 2018
		Agenda Number: 18ii
Title of Report	Annual Report on Audit & Risk Assurance Committee Activities in 2017-18	
Accountable Officer	Sally May - Chief Finance Officer	
Author	Alexandra Bradshaw - Deputy Financial Accountant	
Purpose of Report	To present the activities of the Audit & Risk Assurance Committee during 2017-18 and review the effectiveness and impact of the Committee.	
Recommendation	The Trust Board is recommended to: Note the contents of the report.	
Consultation Undertaken to Date	Thomas Lafferty, Director of Corporate Affairs and the Trust's Governance Lead, have been consulted.	
Signed off by Executive Owner	Thom Lafferty	24 August 2018
Reviewed by Executive Team	Not applicable	
Reviewed by Board Committee (where applicable)	Audit & Risk Assurance Committee	7 September 2018
Reviewed by Trust Board (where applicable)	Trust Board	4 October 2018
Date(s) at which previously discussed by Committee	The report and its contents were discussed and reviewed by the Audit & Risk Assurance Committee at its meeting on 7 th September 2018.	
Next Steps	The Trust Board is asked to note the contents of this report.	

Executive Summary

This report provides a summary of the activities of the Audit & Risk Assurance Committee in 2017-18. It provides assurance to the Trust Board concerning these activities.

Financial Risks	Under its Terms of Reference, the Committee adopts a risk-based approach to fulfilling its governance and accounting responsibilities, by consideration of the integrity, completeness and clarity of annual accounts and statements and the risks and controls around financial management. This forms part of the Board's approach to mitigating financial risks.
Key Risks	Financial and Assurance, addressed as part of the Trust's annual Governance Statement.
Disclosure Statement	Audit findings report from External Audit.
Equality and Diversity Statement	None specific.

AUDIT & RISK ASSURANCE COMMITTEE

Annual Report on Audit & Risk Assurance Committee Activities in 2017-18

1. Introduction

- 1.1. The purpose of this report is to provide the Trust Board with a summary of the work of the Audit & Risk Assurance Committee of Royal Cornwall Hospitals NHS Trust (hereafter referred to as “the Committee”) during the period 01 April 2017 to 31 March 2018 and, in doing so, comply with the Committee’s Terms of Reference.

2. Terms of Reference

- 2.1. The Committee was established under Board delegation. Its approved Terms of Reference were last revised at its February 2017 meeting and were discussed in December 2017 as part of its self-assessment process. The Terms of Reference reflect the Committee arrangements that applied in 2017-18 and are aligned with the latest Audit Committee Handbook 2018.
- 2.2. This report sets out how the Committee has satisfied its Terms of Reference during the financial year 2017-18 and provides the Board with evidence relevant to its responsibilities for the annual Governance Statement.

3. Meetings and membership

- 3.1. The Committee consists of three Non-Executive Directors and, per the following table of attendances, met on 6 occasions throughout the 2017-18 financial year, in April 2017, June 2017, September 2017, November 2017, December 2017 and February 2018. It has discharged its responsibilities for scrutinising the risks and controls which affect all aspects of the Trust’s business.
- 3.2. The Committee was chaired for all six meetings by Margaret Schwarz, Non-Executive Director, who has the required expertise in finance and strategy to enable her to express informed views about financial management.

	10-Apr-17	01-Jun-17	11-Sep-17	13-Nov-17	11-Dec-17	12-Feb-18
Margaret Schwarz	✓©	✓©	✓©	✓©	✓©	✓©
Dr Mairi McLean	✓	✓		✓	✓	✓
Charlotte Russell	✓	✓	✓			

© denotes Chair.

4. Delegated authority

- 4.1. Every NHS organisation is required to have an audit committee that reports to its governing body. The existence of an independent audit committee is the central means by which a Board ensures effective control arrangements are in place.
- 4.2. Under delegated authority, the Audit & Risk Assurance Committee independently reviews, monitors and reports to the Board on the attainment of effective control systems and financial reporting processes. In particular, the Committee's work focuses on the framework of risk, control and related assurances that underpin the delivery of the Trust's objectives.
- 4.3. The Committee receives and considers reports from both internal and external auditors and recommends the annual accounts and annual Governance Statement to the Board for approval.

5. Work plan: principal review areas

- 5.1. The next sections of this annual report reflect the following six key duties of the Committee, as set out in its Terms of Reference:
 1. Oversight of Trust arrangements for governance, management of risk, internal control and financial reporting;
 2. Risk assurance;
 3. Internal audit;
 4. External audit;
 5. Counter fraud; and
 6. Auditor Panel.

6. Oversight of Trust arrangements for governance, management of risk, internal control and financial reporting

- 6.1. During the year, the Committee gained assurance from the work of other committees, internal and external auditors and other regulators/inspectors, as part of the co-ordinated approach to assurance arrangements within the Trust. It commissioned deep dives, where deemed appropriate, and requested assurance reports from management (some of which are referred to in this annual report). It continued to receive regular reports on losses and special payments, single tender actions and endorsement of finance related policies.
- 6.2. In scrutinising such reports, the Committee has continued to raise the effectiveness of internal controls and embed robust arrangements for gathering, recording and monitoring sources of assurance for external assessment. It provided assurance to the Board on the Trust's arrangements for governance, risk management, internal control and financial reporting, including actions by management to address principal risks and strengthen internal controls.
- 6.3. Other activities of note throughout the year were as follows:

April 2017

- The Committee reviewed the draft annual Governance Statement 2016-17.

June 2017

- The Committee recommended Board approval of the financial statements 2016-17 and signature of the Letter of Representation.
- The Committee approved the Governance Statement 2016-17.

September 2017

- The Committee received the Trust's draft annual report 2016-17.

- The Committee noted that a review of the Trust's Standing Orders was underway.
- The Committee approved the updated Conflicts of Interest Policy.

December 2017

- The Committee received a report on the 2016-17 use of the Trust seal.

February 2018

- The Committee noted a report on the materials management contract.
- The Committee received an update on the review of Standing Orders.
- The Committee approved the updated Cash and Treasury Management Policy.
- The Committee was updated on the 2017-18 annual accounts process.

7. Risk assurance

- 7.1. Throughout the year, the Committee routinely received risk management reports and other activities of note were as follows:

April 2017

- The Committee noted an IT and cyber security report.

September 2017

- The Committee received a clinical audit update.

November 2017

- The Committee received a report covering the "deep dive" on the Trust's estate backlog maintenance.

8. Internal audit

- 8.1. Audit South West (ASW) provides internal audit services to a consortium of bodies that includes the Trust. At each meeting, the Committee received details of recent Internal Audit work, together with updates of management's progress in implementing agreed actions to address audit recommendations. Areas for future audit work were also highlighted for the Committee's consideration and, throughout the year, Internal Audit supported the Trust in addressing the CQC inspection findings.

- 8.2. Other activities of note throughout the year were as follows:

April 2017

- The Committee approved the draft Internal Audit plan for 2017-18 to 2019-20.

June 2017

- The Committee approved the Head of Internal Audit Opinion for 2016-17.
- The Committee received Internal Audit's own annual report for 2016-17.
- The Committee received a briefing note on the General Data Protection Regulation (GDPR).

November 2017

- The Committee was notified that Internal Audit would be working with the Trust in the lead up to the GDPR's implementation date of 25 May 2018.

December 2017

- The Committee noted the status of the 2017-18 audit plan.
- The Committee approved ASW's draft Assurance Protocol.
- The Committee received a briefing note on assessing organisational cyber security arrangements.
- The Committee noted that the ASW Consortium had been externally assessed by the London Audit Consortium, with full assurance given.

February 2018

- The Committee received a cyber security briefing of risks facing the Trust.

8.3. Throughout 2017-18, the Committee also received updates from the ASW Consortium Board. At the April 2017 meeting, it noted ASW's strategy and business plan for 2017-18 to 2019-20. At the November 2017 meeting, it noted the contents of the Consortium's annual report for 2016-17.

8.4. The Committee considered the major findings of Internal Audit and is assured that management has responded in an appropriate manner and that the 2017-18 Head of Internal Audit Opinion and annual Governance Statement reflect the circumstances of the Trust.

9. External audit

9.1. Throughout the financial year, the Trust received its external audit service from Grant Thornton UK LLP and, following an external audit procurement process, this provider was re-engaged as of 2018-19 (per the Auditor Panel section of this report).

9.2. The Committee routinely received progress reports on the work of External Audit, providing it with assurance on internal control and financial reporting. These reports also comprised updates on relevant emerging issues and developments, such as health and social care integration, cyber-attacks and the General Data Protection Regulation.

9.3. Other activities of note throughout the year were as follows:

April 2017

- The Committee noted the imminent 2016-17 final accounts audit, Value for Money (VfM) conclusion and Quality Accounts audit.

June 2017

- The Committee received the audit findings report for the year ended 31 March 2017 to those charged with governance and recommended that the Board approve this for sign off by Grant Thornton.
- The Committee noted the contents of Grant Thornton's fee letter for 2017-18 work.

September 2017

- The Committee received a report on the Quality Account 2016-17.
- The Committee received the Annual Audit Letter 2016-17.

December 2017

- The Committee was informed that the audit of charitable funds for 2016-17 had been completed and an unqualified opinion would be issued.

February 2018

- The Committee received the plan for the external audit of financial year 2017-18.

9.4. The Committee ensured that External Audit's recommendations were addressed in a timely and appropriate manner.

10. Counter fraud

10.1. The Committee continued to ensure that the counter fraud service, as provided by Audit South West, gave the Trust assurance on its anti-fraud arrangements. Throughout 2017-18, the Committee received regular updates on progress against the counter fraud work plan, the status of new and ongoing investigations and any other pertinent issues about fraud. As part of developing a strong anti-fraud culture, work to raise general fraud awareness by Trust staff was regularly highlighted, including presentations, meetings with managers, newsletters and the complete redesign of counter fraud pages on the Trust's intranet. Instances of counter fraud advice given to staff on specific matters were also relayed to the Committee, covering topics such as phishing scams (which are becoming more sophisticated) and private patients.

10.2. Other activities of note throughout the year were as follows:

April 2017

- The Committee noted that the annual Self Review Tool (SRT) for 2016-17 had been submitted to NHS Protect. *(NHS Protect was subsequently replaced by the NHS Counter Fraud Authority, NHS CFA.)*
- The Committee noted that the HealthRoster system would not accept staff annual leave input that exceeds the staff member's annual entitlement.
- The Committee noted the latest National Fraud Initiative matching exercise.

September 2017

- The Committee noted the counter fraud annual report for 2016-17.
- The Committee was also informed that mandatory reading material about fraud had been updated for staff inductions. Work on National Fraud Initiative and employment agency review exercises was continuing into 2017-18, whilst minor recommendations had been made to the Trust to ensure robust controls in the use of corporate credit cards.

November 2017

- The Committee noted NHS Protect's Quality Assessment.

February 2018

- The Committee was informed that the Trust's counter fraud arrangements met the requirements of NHS CFA.
- The Committee noted a draft report on the employment agency review.
- The Committee approved the draft counter fraud work plan for 2018-19.

11. Auditor Panel

- 11.1. The Trust Board established an Auditor Panel following a change to the public audit regime that replaced centralised arrangements for appointing external auditors to a system requiring the Trust to appoint from an open and competitive market and directly manage the resulting contract. In order to streamline governance and reporting issues, the Committee took on the Auditor Panel role.
- 11.2. As covered in the Committee's 2016-17 annual report, an existing framework agreement was called off and the existing provider, Grant Thornton LLP, was re-engaged for 2017-18. This provided operational continuity whilst a joint procurement exercise within the county was investigated.
- 11.3. Activity of note during the year was as follows:

September 2017

- The Committee was updated on progress with the procurement of external auditors.

December 2017

- The Committee authorised the signing of a contract with Grant Thornton, who were appointed for a further 3 plus 2 years, as of 2018-19.
- The Committee recommended Board approval of updated Terms of Reference for the Auditor Panel.

12. Review arrangements and Committee effectiveness

- 12.1. The Committee approved its revised Terms of Reference just prior to the commencement of the financial year, at its February 2017 meeting.

- 12.2. Throughout 2017-18, the Committee actively carried out its duty to provide the Board with assurance, or not, that effective internal control arrangements are in place. It regularly addressed the Board Assurance Framework and risk management. The Committee also allocated time in its meetings to review its own work plan and evaluate the effectiveness of its meetings. Members noted the good debate and the good focus and scrutiny regarding audit work.
- 12.3. At its September 2017 meeting, the Committee approved the "Annual Report on Audit & Risk Assurance Committee Activities in 2016-17" for presentation to the Trust Board.
- 12.4. At its December 2017 meeting, the Committee received the final results of its first self-assessment review, in which scores for its overall effectiveness ranged from good to excellent. Changes to enhance the operation of its meetings were agreed.
- 12.5. It is not possible to accurately quantify the benefits of the work of the Committee during the year, as it is impossible to determine the financial impact of risks mitigated and costs avoided and the proportion of these that could be apportioned to the Committee's work.

13. Looking forward

- 13.1. During 2018-19, the Committee continues to focus on obtaining evidence to support assurances over controls covering the key risks faced by the Trust. The Committee will continue to actively follow up matters arising from the reports it receives and will advise the Board of any matters that have not been actioned satisfactorily.
- 13.2. The Committee will aim to continuously improve its processes for providing the Board with assurances that its systems of governance, risk management and internal control, covering all clinical and non-clinical Trust activities, remain fit for purpose and support the achievement of Trust objectives.
- 13.3. The Board has noted the need to appoint Non-Executive Directors to replace one who has retired and one who has become Acting Chairwoman.

14. Conclusion

- 14.1. The Committee has complied with its Terms of Reference during 2017-18 and is of the opinion that this annual report is consistent with the annual Governance Statement and Head of Internal Audit Opinion. There are no matters that the Committee is aware of at this time that have not been disclosed appropriately.
- 14.2. The Audit & Risk Assurance Committee exists to provide assurance to the Trust Board on key controls and aspects of governance across the organisation. This role remains significant in the Trust's challenging financial environment, and the Committee intends to maintain rigorous scrutiny.

Margaret Schwarz
Chair of the Audit & Risk Assurance Committee
September 2018