

Date of meeting	7 June 2018
Paper number	Enc E

## Audit and Assurance Committee – Annual Report

For approval:	<input checked="" type="checkbox"/>	For assurance:	<input type="checkbox"/>	To note:	<input type="checkbox"/>
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<b>Accountable Director</b>	Steve Williams A&A Committee Chair		
<b>Presented by</b>	Steve Williams A&A Committee Chair	<b>Author</b>	Kimara Sharpe Company Secretary

Alignment to the Trust's strategic priorities				
Deliver safe, high quality, compassionate patient care	<input type="checkbox"/>	Design healthcare around the needs of our patients, with our partners	<input type="checkbox"/>	Invest and realise the full potential of our staff to provide compassionate and personalised care
Ensure the Trust is financially viable and makes the best use of resources for our patients	<input checked="" type="checkbox"/>	Develop and sustain our business	<input type="checkbox"/>	

Alignment to the Single Oversight Framework				
Leadership and Improvement Capability	<input type="checkbox"/>	Operational Performance	<input type="checkbox"/>	Quality of Care
Finance and use of resources	<input checked="" type="checkbox"/>	Strategic Change	<input type="checkbox"/>	Stakeholders

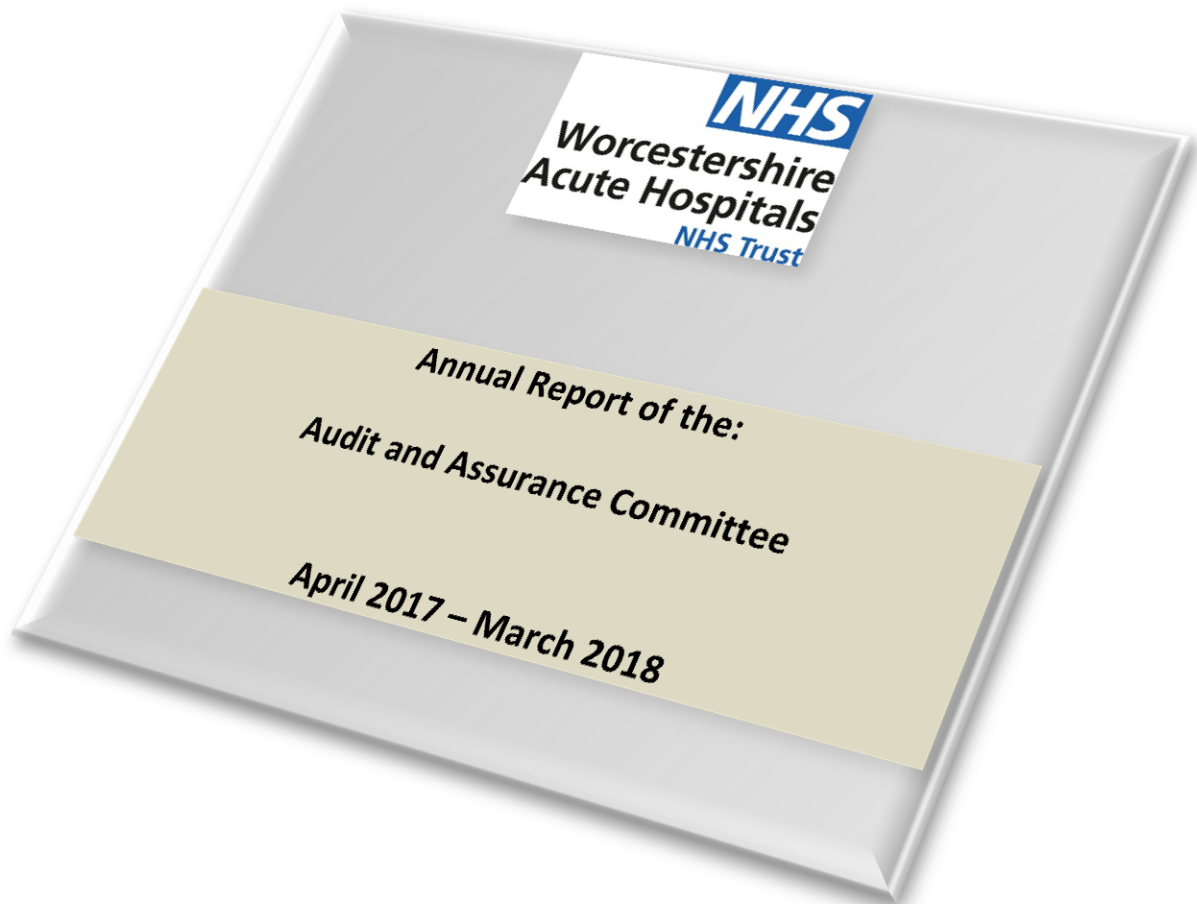
Report previously reviewed by		
Committee/Group	Date	Outcome
A&A Committee	May 2018	Approved with one change

<b>Assurance:</b> <i>Does this report provide assurance in respect of the Board Assurance Framework strategic risks?</i>					N	BAF number(s)		
<b>Significant assurance</b> <i>High level of confidence in delivery of existing mechanisms/objectives</i>	<input type="checkbox"/>	<b>Moderate assurance</b> <i>General confidence in delivery of existing mechanisms/objectives</i>	<input type="checkbox"/>	<b>Limited assurance</b> <i>Some confidence in delivery of existing mechanisms/objectives</i>	<input type="checkbox"/>	<b>No assurance</b> <i>No confidence in delivery</i>	<input type="checkbox"/>	

<b>Recommendations</b>	The Board is requested to approve the Audit and Assurance Committee Annual Report
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<b>Executive Summary</b>
It is best practice for the Audit and Assurance Committee to produce an Annual Report which is then presented to the Trust Board. Attached is the draft annual report. The Report will be amended to include the final Head of Internal Audit Opinion and the assurances for the final internal audit reports not yet completed.
<b>Background</b>
N/A
<b>Issues and options</b>
N/A
<b>Recommendations</b>
The Board is requested to approve the Audit and Assurance Committee Annual Report
<b>Appendices</b>
2017/18 A&A Committee Annual Report



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*Improve, Inspire, Innovate*

## **Foreword**

Throughout this report, you will see how the role of the Audit and Assurance Committee has contributed to the achievement of all the Trust's key strategic objectives, in particular, to *ensure the Trust is financially viable and makes the best use of resources*. This has been a particular challenge for us, given the current economic context, but the Audit and Assurance Committee has been clear and focused in ensuring that not only the financial control total is met, but that it is delivered without compromise to the quality of care delivered in our organisation, whilst increasing efficiency.

The evidence in this report provides assurance to support the statements made by the Chief Executive in the Annual Governance Statement 2017/18.

### **Steve Williams**

Audit & Assurance Committee  
Chairman

### **Mark Yates**

Member at 31 March 2018

### **Phil Mayhew**

Member at 31 March 2018

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## Audit and Assurance Committee Annual Report

For the year 1 April 2017 - 31 March 2018

### 1 Introduction

The Committee's chief function is to advise the Board on the adequacy and effectiveness of the Trust's systems of internal control and its arrangements for risk management, control and governance processes. The Committee also reviews the effective working of the other Board subcommittees.

In order to discharge this function, the Audit and Assurance Committee is recommended to prepare an annual report for the Board and Accounting Officer. This report includes information provided by Internal Audit and External Audit.

### 2 Audit and Assurance Committee's Opinion

Members of the Board should recognise that assurance given can never be absolute. The highest level of assurance that can be provided to the Board is a reasonable assurance that there are no major weaknesses in the Trust's risk management, control and governance processes are adequate and effective and may be relied upon by the Board.

### 3 Information Supporting Opinion

Summarised below is the key information/sources of assurance that the Committee has relied upon when formulating its opinion.

#### 3.1 Internal Audit

At each of its meetings the Committee receives a report from Internal Audit, detailing its work since the last report.

At its meeting on 4 May 2018, the Committee received the draft Internal Audit Annual Report for the 2017/18 financial year, which incorporates a summary of all work undertaken throughout the financial year, and the draft Head of Internal Audit Opinion.

The Head of Internal Audit's overall opinion for 2017/18 is that only **limited** assurance can be given as weaknesses in the design and/or inconsistent application of controls put the achievement of the Trust's objectives at risk in a number of areas reviewed.

The opinion takes into account the range of individual opinions arising from risk based audit assignments that have been reported throughout the year. The internal audit plan was divided into two broad categories; work on the financial systems that underpin financial processing and reporting and then broader risk focused work driven essentially by principal risk areas that we had identified in the Assurance Framework.

The assurance levels provided for all reviews undertaken is summarized below:

Full Assurance

- IR35

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#### Significant Assurance

- Medical Revalidation
- Budget Setting, Monitoring and Reporting\*
- Financial Systems

#### Moderate assurance

- Patients' Property and Monies
- Mandatory Training
- Referral to Treatment (RTT)
- Serious Incidents\*
- Financial sustainability & Outcomes\*
- Risk Management
- Medicine storage

Limited assurance has been achieved in the following areas:

- Complaints
- Delayed Discharges and Stranded Patients

Assurance statements were not provided against the following reviews due to the scope and nature of work undertaken:

- Risk Assessment of Clinical Information Systems – advisory review where a number of high level issues were noted
- EDU Practices at the Royal Alexandra Hospital - advisory review where areas of non-compliance were noted

The Audit and Assurance Committee will continue to monitor the actions and has asked for more rigorous control to ensure that actions are completed within the specified timeframes. Internal Audit will be asked to continue to rigorously monitor progress over the next year.

With reference to the Assurance Framework, the Head of Internal Audit concluded that

***It is my view that an Assurance Framework has been established which is designed and operating to meet the requirements of the 2017/18 Annual Governance Statement, and enables the Accountable Officer to assess the effectiveness of the overall system of internal control. The Assurance Framework highlights a number of significant risks to the achievement of the Trust's strategic objectives, and these are monitored regularly by the Trust Board.***

### 3.2 External Audit

The Trust's external audit is provided by Grant Thornton, who have attended all Audit and Assurance Committee meetings during the year. In May 2018 they presented their Annual Audit Letter summarising the findings of their work carried out at the Trust for the year ended 31 March 2018. The audit was completed and the audit opinion issued before the deadline specified by the Department of Health.

Grant Thornton issued an unqualified opinion on the Trust's 2017/18 accounts, after reporting the detailed audit findings to the Audit and Assurance Committee. They were not satisfied that the Trust put in place proper arrangements to ensure economy, efficiency and effectiveness in its

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use of resources because of weaknesses in the Trust's arrangement for setting and agreeing its budget, monitoring and managing delivery of its budget and responding to service delivery issues raised by regulators. They therefore issued an adverse value for money conclusion.

This situation also required Grant Thornton to refer the Trust's financial position to the Secretary of State under section 30 of the Local Audit and Accountability Act 2014. The audit relating to the Quality Account has yet to be completed.

Progress and update reports have been presented to each Audit and Assurance Committee meeting during the year providing committee members with an overview of progress with the 2017/18 audit and highlighting issues in the wider Health environment. This includes briefings on Grant Thornton's national report on Health Sector issues.

Grant Thornton have also run a variety of workshops and seminars during the year which Trust representatives have attended.

### **3.3 Other Assurance Providers**

#### **3.3.1 Head of Anti Fraud**

Regular reports were received from the Head of Anti Fraud and the Committee is satisfied that the Trust has complied with the NHS Counter Fraud Service guidance and Secretary of State Directives. There were no significant frauds detected during the year.

#### **3.3.2 Management**

The Committee has considered assurances provided by the Chief Executive, Director of Finance and other Directors in the Communication with the External Auditors. It has also considered the Annual Governance Statement (AGS) provided by the Chief Executive. The Committee has noted that there were four significant control issues listed in the AGS.

## **4. The Role and Operation of the Audit and Assurance Committee**

### **4.1 Membership of the Committee**

The Members of the Committee during the period of the report were as set out in the Trust Board section of the Annual Report where a full disclosure of interests is also set out.

The Company Secretary ensures that the Committee functions in accordance with its Terms of Reference. The Committee was supported administratively during the year by the Company Secretary.

### **4.2 Operation of the Committee**

#### **4.2.1 Meetings and attendance**

The Committee is required to meet at least 4 times a year. Seven meetings took place during the period April 2017 to March 2018. The attendance register is as set out in the Trust Board section of the Annual Report.

The quorum for meetings of the Committee is 2 members and all meetings held were quorate.

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#### 4.2.2 Work Programme

The Committee is satisfied that it has covered all work planned as outlined in the work programme in appendix 1.

#### 4.2.3 Key Business Considered by the Committee during the year

The Committee:

- a) Received assurance from the internal audit on the design and operation of the Board Assurance Framework and associated process to support the Trust's AGS.
- b) Reviewed the 2017/18 Annual Accounts and Annual Report, recommending to the Board that these be approved.
- c) Reviewed and approved instances where the Waiver to Tenders procedures has been applied ensuring satisfactory explanation as to why.
- d) Reviewed the Internal Audit work plan for 2017/18 and has emphasised to management, its requirement to be involved in the development of the areas to be included in the programme.
- e) Reviewed progress on implementation of actions agreed through audit recommendations.

### 5. Conclusions

Based on the information presented and discussed at the Audit and Assurance Committee meetings during the year we have concluded that:

#### 5.1 Board Assurance Framework

The Assurance Framework has been reviewed by the Audit and Assurance Committee and full Board during the year. The Committee are satisfied that the process to update and manage the BAF is robust.

#### 5.2 Governance Arrangements

The Audit and Assurance Committee has monitored the work of other Board Committees. Chairs of the committees accountable to the Board have attended the Committee to present their work and to discuss their effectiveness. We are satisfied with the operation of the Committees.

The Annual Governance Statement (AGS) was reviewed by the Committee during May 2018.

#### 5.3 Self assessment

The Committee undertook a self-assessment of its working and has asked that senior managers attend the committee when requested. An item to reflect the way each committee meeting operates has been added to the each agenda.

### 6. Recommendation

Given the issues identified in Section 4 and our conclusions in Section 5 we recommend that the Board approves the Audit and Assurance Committee's Annual Report 2017/2018, recognising that it provides it with further assurance to support the Annual Governance Statement (AGS)

**Steve Williams**

**Audit and Assurance Committee Chairman**



**WORCESTERSHIRE ACUTE HOSPITALS NHS TRUST****Audit and Assurance Committee – Work plan 2018**

Items	Jan	March	May	Late May	July	Sept	Nov
Internal Audit Annual Report			✓				
Internal Audit Work Plan		✓					
Internal Audit Reports	✓	✓	✓		✓	✓	✓
Internal Audit Progress Report	✓	✓	✓		✓	✓	✓
Annual Audit Letter and Action Plan			✓		✓		
External Audit Annual Plan and Agreement of Audit Fees		✓					
External Audit Reports – Drafts and Final Accounts		✓	✓	✓			
External Audit Progress Report	✓	✓	✓		✓	✓	✓
Audit Committee Annual Report			✓				
Trust Annual Report				✓			
Trust Annual Accounts			✓	✓			
Annual Governance Statement		✓	✓				✓
Letter of Representation				✓			
Anti Fraud Update Report	✓	✓	✓		✓	✓	✓
Anti Fraud Annual Report		✓	✓				
Anti Fraud Work Plan		✓					
Changes to the BAF	✓	✓	✓		✓	✓	✓
Audit Committee Terms of Reference - Review						✓	
Audit Committee self-assessment of its own effectiveness (comprehensive assessment Year 1 – interim reviews for years 2 & 3)	✓						

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Workplan (v4.2 April 2018)

Items	Jan	March	May	Late May	July	Sept	Nov
Audit Committee Assessment of External Audit						✓	
Audit Committee Assessment of Internal Audit.			✓			✓	
Data Quality Audit (Rebecca Brown)		✓				✓	
Private Audit Committee meeting with External Auditors to consider the External Auditors' audit strategy.		✓				✓	
Private Audit Committee meeting Internal Auditors to review and approve Internal Audit Plan.		✓					
Review of SFIs/Standing Orders/Scheme of Delegation						✓	
Declarations of interest – annual report Gifts and Hospitality – annual report			✓		✓		
Review of Tender Waivers Charlotte Kings					✓		✓
Review of Debts Write off		✓					✓
Review of Losses & Compensation Payments					✓	✓	
Review of Clinical Negligence Claims			✓				
LSMS	✓					a/r	
Freedom to Speak up annual report and process review			✓				
People and Culture chair (only commenced Aug 2017)						✓	
QGC Chair		✓					
Finance & Performance Committee Chair							✓
Trust Management Group Chair			✓				

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