

AUDIT COMMITTEE

**Minutes of the Meeting of the Audit Committee of the Board of Directors of Sheffield Health & Social Care NHS FT
Wednesday, 18th October 2016 in the Tudor Boardroom, Fulwood House**

Open BoD 08 02 17
Item 11i

Present:

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| 1. | Mrs. Ann Stanley | Non-Executive Director (Chair) |
| 2. | Cllr. Leigh Bramall | Non-Executive Director |
| 3. | Mr. Mervyn Thomas | Non-Executive Director |

In Attendance:

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| 4. | Mr. Clive Clarke | Deputy Chief Executive |
| 5. | Mr. Phillip Easthope | Executive Director of Finance |
| 6. | Mr. James Sabin | Deputy Director of Finance |
| 7. | Ms. Margaret Saunders | Director of Corporate Governance/Board Secretary |
| 8. | Mr. Kevan Taylor | Chief Executive |
| 9. | Mr. Rashpal Khangura | Director, KPMG External Audit Service |
| 10. | Ms. Lisa Mackenzie | Client Manager, 360 Assurance |
| 11. | Mr. Richard Mills | Non-Executive Director |
| 12. | Mr. Robert Purseglove | Local Counter Fraud Specialist, 360 Assurance (Part Meeting) |
| 13. | Mr. Tim Thomas | Director, 360 Assurance |
| 14. | Mrs. Jeanine Hall | PA (Minutes) |

Apologies:

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| 15. | Dr. Mike Hunter | Executive Medical Director |
| 16. | Ms. Liz Lightbown | Chief Operating Officer/Chief Nurse |
| 17. | Ms. Lizzie Wharton | Manager, KPMG External Audit Service |

| Minute | | Action |
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| 01/10/16 | <p>Welcome & Apologies for Absence Mrs. Stanley welcomed members to the meeting, apologies were noted and introductions were made.</p> | |
| 02/10/16 | <p>Declarations of Interest Cllr. Bramall declared a non-pecuniary interest in items on the agenda which referenced the Local Authority. It was agreed that it would not be necessary for Cllr. Bramall to leave the meeting during this item.</p> <p>No further changes or additions to declarations of interest were reported.</p> | |
| 03/10/16 | <p>Minutes of the Audit Committee held on 6th July 2016 It was noted that Ms. Baxter, Head of Integrated Governance, attended for part meeting only and that the minutes would be amended to reflect this.</p> <p>Following this amendment the minutes of the meeting would be signed off for receipt at the November 2016 Open Board of Directors' meeting.</p> | jch |
| 04/10/16 | <p>Matters Arising & Action Log Members reviewed the Committee Action log and actions were confirmed and/or updated accordingly. A copy of the updated action log is attached to these minutes for members' information.</p> <p>a) <u>Review of Future Meeting Agenda Planner – Clinical Audit (AC16/07/16 refers)</u> Noted that the discussion at the July meeting in respect of clinical audit and the Trust's Audit Plan will be picked up as part of the 2017/18 Audit Planning process. Mr. Tim Thomas confirmed that as agreed he had provided further information in respect of clinical audit and the auditing process to Dr. Mitchell and Dr. Warner.</p> | |

Internal Control & Risk Management

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| <p>05/10/16</p> | <p>Board Assurance Framework Members received the current 2016/17 Board Assurance Framework (BAF) and Ms. Saunders advised that since the Committee's meeting in July a number of meetings have taken place with key officers with the purpose of refining and refreshing the BAF and that the version presented to members at today's meeting is the result of this work and is received for information and approval.</p> <p>Ms. Saunders confirmed that the BAF has been mapped onto the Trust's revised strategic objectives for 2016/17 and individual risks have been assigned to the Board of Directors or Board committees as indicated in the report.</p> <p>Whilst the majority of the narrative and risks have been updated as a result of the meetings with lead officers, it was acknowledged that further updates were required as a result of the recent Board Development Session and that these would be incorporated as soon as possible.</p> <p>Upon review of the BAF, it was agreed that whilst risk 1.1 was a general over-arching risk, there may be scope within the 2017/18 iteration of the BAF to drill down into this risk and make it more specific to the areas where the known principal challenges are in terms of quality of care.</p> <p>Ms. Stanley acknowledged the summary provided within the report of the issues raised at the recent Board Development Session and commended the amount of work that had been undertaken to improve the BAF since the last meeting of this committee. She noted that an area mentioned at the session related to the issue of the target risk scores and what that meant in relation to risk appetite. It was agreed that going forward as the Risk Management Strategy is embedded, there is a clear need to ensure links between the BAF and the Trust's strategic objectives and adjust risk scores as appropriate as new or revised objectives are agreed.</p> <p>Whilst noting the work that has taken place to improve the BAF, Cllr. Bramall noted that an area of clarity requested was whether the BAF is intended to give an assurance on the processes or outcomes of each risk and it was agreed that this clarity is something that could be considered in future iterations.</p> <p>The Chair requested that the categorisation of risk 2.1 under Strategic Objective 2 be reviewed to ensure it is accurate.</p> <p>When reviewing the gaps identified in respect of quality issues, Mr. M. Thomas confirmed that as Chair of the Trust's Quality Assurance Committee he has scheduled receipt of a number of the recent 360 Assurance Audit Reports where specific quality matters have been raised.</p> <p>Mr. Khangura commended the Trust on the incorporation of a target risk score; assessment and clearly rated RAG rating. He advised caution on some of the lengthy target dates in respect of RED rated risks and it was considered that if such an advance target date is appropriate then key milestones leading up to the target date should be identified.</p> <p>The Chair thanked members for their comments, noting the areas for further improvement.</p> <p>The Committee formally agreed the BAF for recommendation to the Board of Directors for approval.</p> | <p align="center">MS</p> |
| <p>06i/10/17</p> | <p>Risk Register Ms. Saunders presented the Corporate Risk Register for discussion of the identified risks and noted the more pro-active links now being made between this document and the Board Assurance Framework. She confirmed that there are currently 2 RED risks after treatment (residual risk), plus an additional 12 risks on the Register have an AMBER residual rating of 9 and above which are received by the Executive Directors' Group and</p> | |

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| | <p>Board of Directors on a monthly basis.</p> <p>The paper received by members included a summary of the amendments made since the last presentation to the Audit Committee in July 2016.</p> <p>Upon review of the Register, it was agreed that whilst risk no 3591 (in respect of commissioning intentions of Hurlfield View) would have been up to date at the point of issue, due to the ever changing landscape and the progression of discussions with commissioners, this risk would be reviewed again prior to receipt by the Board of Directors.</p> <p>It was accepted that members should be mindful that due to timing of meetings, the Register received by the Committee (on a quarterly basis) may well be out of date by the time of receipt, whilst noting that operationally the Register is managed on a daily basis. It is anticipated that upon the implementation of the revised Risk Management Strategy there needs to be a consistent approach to how risks are scored and potential impact determined in order to provide the relevant assurance and understanding and provide a sound basis for challenge in the event of grading changes.</p> <p>The Chair requested that when considering the implementation and roll out of the Risk Management Strategy, due consideration is given to what information in terms of the Risk Register is received by which committee and in what order, to avoid wherever possible potentially out of date information being received at committee level.</p> <p>A suggestion was made regarding the possibility of changing the layout of the Register in some way to include the risk matrix on each page in some form to aid reference to the risk ratings and any reported changes; as well as considering re-ordering the content of the Register from risk number order to an initial risk rating order (i.e. high risks first, followed by moderate risks etc). Ms. Saunders agreed to investigate alternative presentation layouts for the register and report back accordingly.</p> <p>The committee agreed to continue to receive and review the Corporate Risk Register on a quarterly basis in accordance with the meeting schedule.</p> | MS |
| 06ii/10/16 | <p>Risk Management Strategy 2016-17 (Draft)</p> <p>Ms. Saunders informed members that the Strategy was presented to today's meeting following receipt at the Executive Directors' Group and the Board of Directors meeting in October which recommended that it be received by the Audit Committee for review and agreement prior to approval. She confirmed that minor amendments had been made to the Strategy following feedback from the two meetings but further comment and feedback from the Audit Committee was invited in order to be able to re-submit the final version of the Strategy to the Board in November for approval and enable submission to the Care Quality Commission prior to their forthcoming visit.</p> <p>Following a query from Mr. M. Thomas regarding the reporting of serious incidents (SI), Mr. Taylor confirmed that these are received through the Executive Directors' Group. He further advised that the Trust is currently behind in terms of SI reporting timelines and is in discussion with the Sheffield Clinical Commissioning Group (CCG) following concerns being raised regarding these missed reporting deadlines. Whilst it was considered that the detail of these SI reports is not necessarily helpful or relevant for discussion at Board level (the relevant detail being included where appropriate within the Performance Report and Dashboards received by Board each month), it was agreed that there should be an awareness within the committee governance structure and that this should be part of the remit of the Quality Assurance Committee, with necessary escalation through that committee's Significant Issues Report into Board.</p> <p>Following an issue which was raised by Mr. Mills, indicated at 2.8 of the summary sheet, in respect of "duties of key individuals and groups". He questioned whether there was a need within the Strategy to expand this section of the Strategy to include a description of the role of the teams managing risk and incidents. Following discussion regarding the number of processes and teams involved; it was felt that this may result in the Strategy becoming unwieldy. It was subsequently agreed that Ms. Saunders would review the supporting operational processes and policies which interlink with this Strategy and</p> | MT MS |

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| | <p>incorporate to an extent, but give consideration at a future date to how these interlinking processes and policies can be reflected better within the Strategy.</p> <p>It was agreed that this committee would review the Strategy in 6 months' time following issue.</p> <p>Ms. Stanley questioned to what extent other committees should be involved in checking assurance and reviewing risk etc. The Strategy currently does not state where the BAF is received, other than the Board of Directors and the Audit Committee. A view was expressed that all Board committees should receive the relevant elements of the BAF for review and following discussion it was agreed that whilst the Audit Committee would receive the BAF quarterly and in its entirety, followed by receipt at the next scheduled Board of Directors' meeting, other Board committees should also receive and review their elements of the BAF on a quarterly basis. It was also agreed that this agreement would apply to receipt of the Corporate Risk Register. The Strategy would be amended to reflect this agreement.</p> <p>Mr. Pursglove joined the meeting at this point.</p> <p>Noted that the Strategy details the receipt of the Corporate Risk Register at the Executive Directors' Group and Board of Directors on a monthly basis of all risks rated 9 and above. It was questioned whether this was a change to current arrangements, as at the present time only risks rated 12 and above are received. Following discussion, it was agreed that this would be amended to risks rated 12 and above. It was suggested that at the time of review in 6 months' time it may be appropriate to undertake a piece of work to review the status of those risks rated 9 and above to determine which if any have escalated.</p> <p>Ms. Stanley also requested that the definition on "risk appetite" previously supplied be incorporated into the final Strategy.</p> <p>Confirmed that following amendment of the Strategy, it would be represented to the November 2016 Board meeting for final approval.</p> | <p>Agenda Planner</p> <p>MS</p> <p>MS</p> <p>MS</p> |
| Internal Audit | | |
| <p>07/10/16</p> | <p>360 Assurance Internal Audit 2016/17 Progress Report & 2017/18 Planning Process</p> <p>Ms. Mackenzie presented the 360 Assurance progress report, which provides detail of the audit work undertaken to date as part of the 2016/17 plan, noting that as previously agreed cross-reference is now made to the relevant Trust operational group and also the Board Assurance Framework.</p> <p>She advised that the key messages from the work to date are the fact that the two audits outstanding from the 2015/16 plan are now complete and as previously agreed were included in the 2015/16 Annual Report with an indicative opinion being given. A further audit from the 2015/16 plan (Implementation of NICE Guidelines) has also now been completed. This will be included in the 2016/17 Annual Report. As a result of this latter audit, whilst it was a non-opinion piece of work, a recommendation was made that that policy be re-written and confirmation has now been received that this rewrite has taken place.</p> <p>In terms of the low level of audits completed to date, Ms. Mackenzie assured the Committee that whilst the first quarter of the year involves a lot of work in completing and formalising the previous year's plan; work is now progressing at a pace in terms of this year's plan with a number of audits in the planning and draft report stage. She anticipated being able to report on the completion of a high number of audits at the Committee's next meeting.</p> <p>Two follow-up audits have been completed since the last report was issued. In terms of the Restrictive Practices follow-up it was noted that there were a number of action still outstanding and it is intended to undertake a further follow-up audit during quarter 4. The second follow-up audit related to Complaints, Compliments and Incident Management where it was noted that one low risk action was outstanding and</p> | |

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| | <p>responsibility to review/confirm the implementation of this outstanding action has been referred back to the Trust.</p> <p>In terms of the follow-up process, Ms. Mackenzie advised that at the present time the Trust currently has 48% of medium risk recommendations outstanding. Arrangements are being made for the Trust to work closely with 360 Assurance between now and the end of the year to ensure this position improves and can then be accurately reflected in the Head of Internal Audit Opinion. It was confirmed that an implementation rate of around 70% would be expected although Mr. T. Thomas reaffirmed that the aim is to have all recommendations implemented by the agreed date. Following discussion regarding the need to provide assurance to the Board that this position will improve, it was confirmed that the Executive Directors' Group now receive all completed audit reports for review and follow up of recommendations as appropriate. It was agreed that the follow up of audit recommendations would be highlighted further at the Executive Directors' Group and that it was expected significant improvement in this position can be reported at the next meeting. It was also agreed that this issue should be included in the Chair's Significant Issues Report into the Board of Directors.</p> <p>Members acknowledged the work that had been undertaken to enhance this report.</p> <p>Mr. M. Thomas reaffirmed that, as Chair of Quality Assurance Committee, he had implemented arrangements for that Committee to receive the relevant audit reports for consideration and that he would reported back into the Audit Committee as necessary.</p> <p>In terms of the 2017/18 Audit Planning Process, Ms. Mackenzie confirmed that as in previous years, arrangements will be made for a planning event to be held later in the year/early next year to commence planning with key officers/Executive leads and ensure engagement. It is anticipated that a draft plan will then be available for the January meeting of this committee.</p> <p>Members noted progress against plan. Members also acknowledged receipt of the 360 Assurance Briefing Paper included as an appendix to this report on the recent National Data Guardian and Care Quality Commission publications which reaffirm the need for strong leadership, which is not just restricted to the Senior Information Risk Owner and/or Caldicott Guardian, but by the whole Board.</p> | <p>CC</p> <p>AS</p> <p>LM/ JCH</p> |
| <p>08/10/16</p> | <p>Internal Audit Outstanding Actions Follow Up Report</p> <p>Members received the update on outstanding internal audit actions. Mr. Clarke confirmed that as agreed at the last meeting, he had met with Ms. Mackenzie to review the content of this report and advised that the detail was now split into three appendices; 1: follow up audits from 2015 which have now been completed; 2: progress on medium and high risk actions from follow up audits as of September 2016; and 3: low level risks which have been discussed by the Executive Directors' Group and are being appropriately managed and should be considered complete for audit purposes.</p> <p>Mr. Clarke reaffirmed that those low level risks identified on appendix 3 have been discussed by EDG and it is considered that they are being appropriate managed and require no further management action. Once confirmation of this is received by Audit Committee; these risks will be noted as being managed and the detail of which will no longer be received at this Committee.</p> <p>The importance of addressing agreed recommendations from audit reports in a timely manner was stressed.</p> <p>Once the committee receives assurance that a series of audit recommendations are complete, Mr. T. Thomas reaffirmed the need for an evidence based audit trail of that assurance.</p> <p>The committee thanked Mr. Clarke for his report and formally noted the progress made.</p> | |
| <p>09/10/16</p> | <p>360 Assurance Local Counter Fraud Specialist Progress Report</p> <p>Mr. Purselove presented his progress report which provided a summary of work undertaken in respect of 2016/17 and provided members with the background to the</p> | |

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| | <p>current open investigations, together with two further referrals received since his report was produced.</p> <p>He asked that members note that to date he has spent a total of 50.5 days addressing “hold to account” matters against a total plan allocation of 24 days. He assured the committee that the use of this time is being closely monitored by the Deputy Director of Finance, who meets with Mr. Purseglove on a monthly basis to review work plan and referrals.</p> <p>Mr. Purseglove then referred members to appendix A of his report which provided a briefing on the impact of the NHS Protect Restructure on Local Counter Fraud Service delivery. The paper confirms that following a review, it has been recommended that NHS Protect alters its current operating structure to focus primarily on second line strategic governance and investigative work at national level. Mr. Purseglove confirmed his assurance that the impact of this change on the Trust level of counter fraud services will be minimal.</p> <p>Mr. Easthope noted that, whilst an assurance has been given on the minimal impact of this change in role of NHS Protect, the committee should be mindful of this change when undertaking the annual effectiveness review and counter fraud input and perhaps request a form of assurance direct from NHS Protect on the level of impact.</p> <p>Members acknowledged the pro-active and preventative work undertaken by the LCFS as outlined in the report, together with the promotion of Fraud Awareness Month.</p> <p>Members noted the assurance provided by this report in respect of the Trust’s counter fraud services.</p> | |
| External Audit | | |
| 10/10/16 | <p>KPMG External Audit Progress Report</p> <p>Mr. Khangura presented a high level overview on progress in the delivery of external audit work to date and confirmed that the majority of time has been involved in the audit planning process for the audit of the 2016/17 financial statements.</p> <p>He anticipated that a draft audit plan will be available for the committee’s consideration at their next meeting in January, following the completion of all exploratory work. The plan will cover the financial statement work; value for money/use of resources (key areas being financial resilience and the output from the forthcoming CQC visit) and quality report (which includes the evaluation of mandated indicators as well as one chosen by the Council of Governors).</p> <p>Members noted the progress made to date and the fact that there were no changes to the process at this point.</p> | |
| Other | | |
| 11/10/16 | <p>Review of Future Meeting Agenda Planner</p> <p>Members reviewed the Audit Committee agenda planner provided with the meeting papers and the following comments were noted:</p> <ul style="list-style-type: none"> • Risk Management Strategy Review – to be included in agenda planner for October meeting. • Assurance Reports from Other Board Committees (agreed that the format and timing of these reports needs to be finalised, providing clear links to the BAF, etc). • Review of Whistleblowing Arrangements – to be scheduled for January meeting. • Informal Private Discussion with Internal audit Representatives – January meeting. <p>It was confirmed that the planner will be updated to reflect any discussion/agreement at Audit Committee meetings which affect the agenda going forward.</p> | MS/PE |
| 12/10/16 | <p>Evaluation of Meeting</p> <p>Members then went on to review the effectiveness of the meeting and determine what, if any, significant items should be noted as part of the committee’s assurance to the Board</p> | |

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| | <p>of Directors.</p> <p>Significant Issues Report It was agreed that the following significant issues would be included in the report to Board:</p> <p><u>360 Assurance Internal Audit Progress Report</u>: level of completed/implemented actions and improvement work necessary.</p> <p><u>Draft Risk Management Strategy</u>: confirmation that the committee had received and commented further on the draft strategy.</p> <p>To note issue raised regarding Serious Incident Reporting and agreement that this will be followed up under the remit of the Quality Assurance Committee and any assurance reported into Board through that committee's Significant Issues Report.</p> <p>Changes to Level of Assurance Comments noted regarding the Board Assurance Framework and the improvement work being undertaken in respect of the BAF.</p> <p>Confirmation of Agreed Actions All actions will be incorporated in the Committee's action log and circulated to members as necessary for follow up.</p> <p>Meeting Effectiveness It was agreed that the meeting had been effective and had provided the opportunity for interesting and challenging discussion as necessary.</p> | |
| 13/10/16 | <p>Any Other Business None.</p> | |
| 14/10/16 | <p>Date, Time & Venue of Next Meeting To be agreed</p> | |

AS/jch/Oct 2016 (Approved AS) amend AC 31 10 17