

AUDIT COMMITTEE (AC)

Open BoD May 2019
Item 15bi

Minutes of the meeting of the Audit Committee of the Board of Directors of Sheffield Health and Social Care NHS Foundation Trust, held on Tuesday, 22 January 2019 in the Tudor Board Room, Old Fulwood Road, Sheffield, S10 3TG

Present:

1. Ms. Ann Stanley, Non-Executive Director, Chair of Audit Committee
2. Cllr. Olivia Blake, Non-Executive Director
3. Ms. Sandie Keene, Non-Executive Director, Chair of Quality Assurance Committee

In Attendance:

4. Mr. Phillip Easthope, Executive Director of Finance
5. Ms. Margaret Saunders, Director of Corporate Governance (Board Secretary)
6. Ms. Leanne Hawkes, Deputy Director, 360 Assurance Internal Audit Service
7. Mr. Usman Niazi, Asst Client Manager, 360 Assurance Internal Audit Service
8. Mr. Rashpal Khangura, Director, KPMG, External Audit Service
9. Mr. James Sabin, Deputy Director of Finance
10. Mr. Terry Geraghty, Emergency Planning Officer (item 13)
11. Mrs. Jeanine Hall, PA (Minutes)

Apologies:

12. Mr. Clive Clarke, Deputy Chief Executive/Chief Operating Office

No	Item	Action
1	<p>Welcome & Apologies for Absence The Chair welcomed members to the Audit Committee and noted apologies.</p>	
2	<p>Declaration of Interests Cllr. Blake declared an interest in any issues relating to the Trust's Partnership Agreement with the Local Authority, however, it was determined that these were non-pecuniary and would not require her to leave the meeting during any discussion relating to this item.</p> <p>Mr. Khangura declared an interest in agenda items 23 and 24; and Ms. Hawkes and Mr. Niazi declared an interest in agenda item 23. It was noted that these items had been scheduled at the end of the agenda and that audit representatives would leave the meeting at that point.</p> <p>No further declarations were made.</p>	
3	<p>Minutes of the meeting held on 16 October 2018 The minutes of the meeting held on 16 October 2018 were agreed as an accurate record and would be received at the February 2019 Open Board of Directors' meeting for information.</p>	
4	<p>Matters Arising & Action Log</p>	

	<p><u>11/01/19 Counter Fraud, Bribery & Corruption Progress Report</u> It was confirmed that a recent court case had ended positively for the Trust and that this positive outcome would help in the forthcoming employment tribunal involving the same member of staff.</p> <p>Action Log <u>19/04/18 Whistleblowing – Identification of FTSU Board Champion</u> Noted that the Non-Executive Directors were due to meet with the FTSU team and would follow up this action.</p> <p><u>10/01/19 Procurement Strategy</u> Following discussion at the previous meeting regarding the appropriate governance route for receipt of the Procurement Strategy, it has been agreed that it will be received at Audit Committee prior to Finance, Information & Performance Committee noting the differing aspects of the Strategy require receipt by two separate Board sub-committees.</p>	<p>Chair</p> <p>Agenda April 2019</p>
<p>5 & 6</p>	<p>KPMG External Audit Progress Report <i>(Agreed that these two agenda items would be taken together)</i></p> <p>Mr. Khangura provided an overview of their work to date in preparing for the audit of the Trust's financial statements, including risk assessment and planned audit approach. He advised that the External Audit Team are currently at the end of the planning phase and due to commence the interim work element of the plan week commencing 4th February.</p> <p>KPMG External Audit Plan 2018/19 Mr. Khangura then went on to outline the annual audit plan received by members, including the identified risks and other areas of audit focus.</p> <p>In terms of materiality and reporting of audit differences, Mr. Khangura advised that, as outlined on page 5 of the paper, following due consideration of the appropriate level at which to report audit differences a decision has been taken to maintain the materiality level at £2m. He confirmed that this does not preclude the auditors from identifying any identified differences below that level which may be felt to be in sensitive areas.</p> <p>The plan provides an overview of the identification of potential risk and, in response to a query from the Chair regarding the specific risk around valuation of land and buildings, it was confirmed that no revaluation exercise has been undertaken this year. The last exercise was conducted in 2017/18. It was noted that, particularly with respect to the plans for the disposal of Fulwood House, at the present time it is anticipated that this will be declared as an asset held for sale around March/April 2019, but will still be an operational asset. Consideration will, therefore, have to be given to its treatment within the accounts depending on timescales.</p> <p>Mr. Khangura confirmed that a new risk to be considered as part of the audit is that of fraudulent expenditure recognition. He noted that this is a change from previous years as a potential risk and one that needs to be considered, primarily due in part to the emergence of the STP/NHSi funding platform across the NHS in general.</p> <p>With regard to the value for money audit element of the plan, Mr. Khangura confirmed that this conclusion will, as in previous years, be undertaken in accordance with the National Audit Office Audit Code and is fundamentally unchanged from last year's process. He also advised that as part of this risk assessment, consideration is given to the Trust's standing with key regulators,</p>	

	<p>including the recent CQC inspection report and related action plan.</p> <p>Guidance is still awaited on the Quality Accounts audit work, although it is anticipated that there will be no major changes to this process and that there will still be two mandated indicators and one locally chosen indicator. In terms of the identification of the locally chosen indicator, it was confirmed that this is within the remit of the Council of Governors and the Chair was keen to ensure that CoG are given sufficient time to identify an appropriate indicator.</p> <p>The Chair thanked Mr. Khangura for this comprehensive overview of the annual audit process.</p>	MS
7	<p>360 Assurance Internal Audit 2018/19 Progress Report Including Draft Internal Audit Plan 2019/20</p> <p>Ms. Hawkes advised that the report identifies progress made against the 2018/19 Internal Audit Plan. She confirmed that since the last update, five final reports have been issued, with four providing Significant Assurance outcomes and the fifth being an advisory piece of work in respect of the Head of Internal Audit (HoIA) Opinion Stage 2.</p> <p>She noted that in terms of implementation of actions on follow up this currently stands at 68% and whilst it is noted that the level is lower than the 75% target, numbers are small and would not require too great a turn around to achieve the target. NED members were assured by the escalation processes in place within the Trust in respect of the follow up of outstanding actions through the Executive Directors' Group.</p> <p>Whilst it was noted that progress against contract was low at the present time, Ms. Hawkes assured members that she did not anticipate any difficulties in meeting the plan by year-end in order to inform the HoIA Opinion Statement and that planning work was well progressed for the remaining audits.</p> <p>Ms. Hawkes provided a brief overview of the outcome of the audits completed since the last progress report.</p> <p>She then went on to outline the work undertaken as part of the HoIA Opinion Stage 2. The report was aimed at providing a level of on-going assurance on the effectiveness of the Trust's Board Assurance Framework and strategic risk management. Whilst this work has confirmed that the BAF continues to be developed and forms a key part of the Board's agenda, four recommendations have been made as a result of this stage 2 work, all of which are being actioned.</p> <p>At this point the Chair confirmed that whilst it was originally intended that the refreshed BAF would be received at February's Board of Directors' Meeting, it has been agreed that the opportunity will be taken to review this as part of the BAF Development Session on 27 February, ensuring that all relevant updates are in place, and then received at the March Board of Directors' meeting.</p> <p>The Chair also noted that she would be liaising outside of the meeting with Ms. Hawkes regarding a number of comments made as a result of the Stage 2 work. She was also keen to include discussion at the forthcoming BAF Development Session on the identification of gaps in assurance or indeed negative assurance is identified and how this is presented.</p> <p>The meeting went on to consider the draft 2019/2020 Internal Audit and Counter Fraud Plan and the Chair took this opportunity to thank everyone who participated</p>	

	<p>in the recent planning workshop to facilitate the finalisation of this draft plan. Mr. Easthope confirmed that the plan had been received and agreed by the Executive Directors' Group at their meeting on 17 January.</p> <p>It was noted that the plan is based on 200 audit days (a reduction of 24 on this year's plan) and 60 counter fraud days (the same of this year). Members reviewed the proposed plan and particular note was made regarding:</p> <p>Audit 2 – Governance & Risk Management, which currently has an allocation of 30 days to be undertaken during Q1. Work is currently being undertaken to develop the scope of this review and once complete, and in light of the work currently being undertaken in Q4 of 2018/19, further discussions will take place regarding the allocation required to complete sufficient work to support the Head of Internal Audit Opinion.</p> <p>Audit 7 – Data Quality Framework: potential to consider IAPT alongside this audit and determine which may prove more beneficial to the Trust.</p> <p>It was confirmed that the lead officer for the Complaints audit (10) should be Ms. Saunders and that EDG have requested that the E-rostering audit be undertaken late Q3 or in Q4 and that the Executive Lead should be Mr. Dean Wilson, Director of HR.</p> <p>Ms. Hawkes advised that the document also includes those potential audit areas identified during the planning workshop but which were not ultimately included in the plan and Mr. Easthope confirmed that these had been discussed and acknowledged by EDG.</p> <p>In response to a query from Ms. Keene regarding the balance of the plan and the consideration of potential safety related audits following the outcome of the most recent CQC inspection, the Chair confirmed that the planning workshop did give consideration to this area as well as potential well led reviews, and felt that given the majority of safety and well led issues are around clinical governance and risk management which will be covered off by a number of pertinent follow ups in 2019/2020 there was a good level of assurance that there are a number of workstreams and action plans in place which will address these areas and provide the relevant assurance regarding embeddedness. It was also noted that 2020/2021 will be targeted for quality and specific safety issues.</p> <p>Ms. Hawkes confirmed that the draft plan would be updated to incorporate those matters confirmed at today's meeting and represented at the April Committee meeting for approval.</p>	
8	<p>Annual Report & Accounts Production Timetable</p> <p>Ms. Saunders presented the first iteration of the Annual Report and Accounts production timetable for the Committee's assurance on the process being put in place to ensure the timely production of these documents for the year 2018/19. She confirmed that the timetable had been received and endorsed by the Executive Directors' Group.</p> <p>Members noted the current timetable and the Chair stressed the importance of adhering to this timetable in respect of receipt of relevant papers at committees given the tight timeframe and that where potential slippage is identified that this is escalated at an early stage.</p>	
9	<p>Briefing Paper: FT Annual Reporting Manual Changes</p>	

	<p>Mr. Sabin presented an update to members on the changes in and compliance with accounting policies and practices in respect of the production of the 2018/19 Annual Report and Accounts. He noted that there were some additional disclosures required within the content of the Annual Governance Statement but that these were not anticipated to be material.</p> <p>Received and noted by members.</p>	
10	<p>Briefing Paper: Accounting Policies Review</p> <p>Mr. Sabin presented this brief to the Committee on the changes in and compliance with accounting policies and practices in respect of the production of the 2018/19 Annual Report and Accounts. He noted that as in previous years, for ease of reference, changes have been highlighted in the report, but confirmed that these were minimal.</p> <p>It was confirmed that these changes would be reviewed by KPMG at an early stage of their work to ensure that all appropriate changes have been made to the relevant accounting policies.</p> <p>The Committee received and endorsed the paper.</p>	
11	<p>Preparation of Accounts – Going Concern Report</p> <p>Members received this report for consideration prior to formal presentation to the Board of Directors, who are required to endorse the conclusions reached in this document and recommend when considering the Annual Accounts prepared in 2018/19, that it is appropriate for the accounts to be prepared on a “going concern” basis.</p> <p>Mr. Sabin confirmed that the paper highlights the clear justification for a “going concern” conclusion.</p> <p>Members noted the content of the paper and were in agreement that it provided a good synopsis of the Trust’s business. The Committee duly approved the paper and its recommendation for presentation to the Board.</p>	
12	<p>Initial Draft Annual Governance Statement</p> <p>Ms. Saunders presented an early draft of the 2018/19 Annual Governance Statement, which was based around last year’s submission and confirmed that further update and population of the statement would be undertaken over the coming weeks. She confirmed that the two new disclosures referred to under item 9 had been incorporated.</p> <p>Members agreed to provide Ms. Saunders with any comment/amendments outside of the meeting but a specific suggestion was made regarding the inclusion of a statement regarding fraud.</p> <p>In response to a query from Ms. Blake regarding the inclusion of a statement regarding modern slavery, it was confirmed that there is no requirement to include such a statement in the Annual Governance Statement.</p> <p>It was confirmed that a further version would be received at the April meeting.</p>	
13	<p>i. Emergency Planning & Preparedness Compliance Arrangements <i>Mr. Terry Geraghty, Emergency Planning Officer, in attendance</i></p> <p>The Committee received an update on the Trust’s progress against the EPPR Compliance arrangements. Mr. Geraghty advised that originally 3 standards had</p>	

	<p>been flagged as red and a further 11 as amber. However, due to action already taken the 3 reds are now rated green and a further 4 are anticipated to turn green by April 2019. Full compliance is expected by July 2019.</p> <p>Members noted the level of achievement required between now and the end of July but Mr. Geraghty provided an assurance that work is on track to achieve compliance and were assured that a recent meeting with NHSI had indicated that the Trust has demonstrated good progress.</p> <p>It was confirmed that the outstanding work on the remaining standards is centred on staff training and the development of business continuity plans and associated impact assessments.</p> <p>Members thanked Mr. Geraghty for this update and noted that a further update would be received at its meeting in April 2019.</p> <p>ii. EU Exit Briefing <i>Mr. Terry Geraghty, Emergency Planning Officer, in attendance</i></p> <p>The Committee received an update on the work being conducted nationally, regionally and in-house to prepare for a “no deal” EU Exit and were assured that Trust EU exit preparations will continue to be monitored by the Executive Directors’ Group. The main risk highlighted for the Trust was around supply of medicines and the Committee received assurance that system approaches to a potential shortfall in supply were being developed.</p> <p>Mr. Geraghty advised that following discussion at a recent Executive Directors’ Group it was agreed that, due to the uncertainty regarding the UK plans for leaving the EU, to escalate to the Corporate Risk Register a risk in respect of the possibility of an issue with supply of medication after the contingency plans put in place by the UK Government for EU exit resulting in a gap in medication supply to our service users. Plans are also being put in place in conjunction with the HR Department to liaise and work with those staff members who may be affected by an EU exit. Consideration has also been given to any potential impact on service users who may require assistance in applying for settlement and Mr. Geraghty advised that this is being following up with the SCC Public Health Department who are already undertaking some work regarding support requirements for vulnerable adults.</p> <p>Members thanked Mr. Geraghty for the update and stressed the need for clear and consistent communication across the Trust in respect of this matter. Members were also keen to ensure that the appropriate risk escalation processes are in place through the normal governance routes.</p>	
14	<p>Assurance Reports from Other Governance Committees</p> <p>It was noted that as part of its governance remit, the Audit Committee requires assurances from the other Board committees regarding the discharge of their responsibilities under the agreed terms of reference, including any items for escalation. Discussion has also previously taken place regarding the timing of these reports and that it should be such that it can be incorporated into the Audit Committee’s Annual Report to the Board of Directors.</p> <p>It was agreed that the Audit Committee can take assurance from the significant issues reports received at Board after each of the Board committee meetings and that the final over-arching report from each committee will provide a synopsis of those individual reports into the Audit Committee by way of assurance.</p>	

18	<p>Risk Management Strategy – Refresh</p> <p>Members received the refreshed Risk Management Strategy which it was confirmed, following agreement by the Audit Committee, would be received for approval and ratification by the Board of Directors.</p> <p>A number of further amendments were suggested and it was agreed that a final version would be approved virtually by the Committee and that the final document would be received at the March Board of Directors’ meeting for approval.</p> <p>Specific comment was made regarding:</p> <p>Page 3 (paragraphs 4 and 5): reference should be made as part of the policy statement to the Trust’s risk appetite;</p> <p>Page 5 (Trust’s Risk Appetite for 2018/19): consider removal of reference to year to avoid the need for unnecessary revision each year;</p> <p>Page 19 (reference to the Board Assurance Framework): felt the statement regarding the use of the BAF to drive the Board agenda should be reworded to be more assertive about the role of the BAF in this respect.</p> <p>Appendix 3 (Roles and Responsibilities): questioned whether this needed to include the Non-Executive Directors. Following brief discussion it was agreed that this section related to those officers with operational responsibility in respect of this strategy, rather than the role of the NED, which is to hold the Executive Directors to account for delivery. It was, however, agreed that it should be reflected perhaps within the Committee section (5) about oversight by NED as Chairs of the Board Committees, clarifying Committee and NED responsibility. It was also suggested that it may be relevant to include a section on assurance within the actual document.</p> <p>It was agreed that once these amendments were made, a further iteration would be circulated to members via email for agreement, prior to going onto March Board of Directors’ meeting.</p> <p>Agreed that once finalised consideration needs to be given to how this strategy is published through the Trust and raising its awareness throughout the Trust.</p> <p>The Chair thanked all those involved in refreshing this document and looked forward to receiving the final version.</p>	MS
19	<p>Board Assurance Framework</p> <p>Members acknowledged receipt of the Board Assurance Framework for review. The Chair reiterated her previous statement in that it has now been agreed the BAF will be received by the Board of Directors at the March meeting, following completion of the BAF Board refresh session on the 27th February.</p> <p>The Committee commended the work done on streamlining the BAF and the improved covering report which detailed any changes to level of assurance. The work undertaken on re-wording key risks was agreed as appropriate.</p> <p>In terms of Risk A401ii, which is an Audit Committee specific risk, it was noted that the assurance referred to is out of date. Previous comments were reiterated regarding an absence of precise identification of gaps both in control and assurance which were giving rise to “red”, limited assurance ratings. It was agreed to enhance the narrative around gaps moving forward in order to concentrate on actions taken to address the gaps. Mr. Easthope agreed to work with Ms. Saunders to address this requirement.</p>	PE/MS

	<p>Ms. Keene advised that, in her role as Chair of the Trust's Quality Assurance Committee, she would be discussing the BAF with Dr. Mike Hunter and would reserve any comment until such time as this discussion has taken place.</p> <p>The Chair expressed the committee's appreciation of the on-going work being undertaken to further develop the BAF.</p>	
20	<p>Corporate Risk Register Members received and reviewed the Trust's Corporate Risk Register. The breakdown of new risks and changes to existing risks outlined within the paper received were noted.</p>	
21	<p>Breaches Report: Standing Orders; Standing Financial Instructions; Standards of Business Conduct Mr. Sabin presented this briefing paper which he confirmed was presented for the committee's information. He advised that the report will also be received and considered by the Finance, Information & Performance Committee and is presented to this committee for its assurance regarding processes in place to monitor the application of the Trust's Standing Orders, Standing Financial Instructions and Scheme of Delegation.</p> <p>It was confirmed that any changes proposed as a result of the findings in this briefing paper would be incorporated into the next scheduled review of the key documents and received by the Audit Committee in due course.</p> <p>It was noted that the differing reporting periods used within section 2.5 of the paper was the cause of some confusion and that this should be reconsidered for future versions of the paper.</p> <p>Members acknowledged receipt of this report.</p>	
22	<p>Standing Orders & Standing Financial Instructions Waiver Requests Members noted receipt of the three single tender waivers approved by the Executive Director of Finance in respect of :</p> <ul style="list-style-type: none"> • Engagement of Listening into Action • Provision of General Waste & Mixed Recycling Waste Collections • Provision of Interim Security Services on Trial Basis <p>Members noted the reasons for issuing these waivers and the assurance provided regarding processes in place.</p>	
<p>Agenda items 23 and 24 dealt with under the Confidential section of the agenda and as previously agreed members of the Internal and External Audit Services left the meeting for these items due to a declared conflict of interest.</p>		
25	<p>i. Significant Issues Report The following items were highlighted for inclusion in the Audit Committee's significant issues report to the Board of Directors:</p> <ul style="list-style-type: none"> • KPMG External Audit Plan for 2018/19 Trust Financial Statements • 360 Assurance Internal Audit Progress Report & Head of Internal Audit 2018/19 Opinion Stage 2 Statement • Briefing Paper – Accounting Policies Review • Preparation of Annual Accounts – Going Concern Report • Emergency Planning & Preparedness Compliance Arrangements • EU Exit Briefing 	

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| <ul style="list-style-type: none">• Audit Committee Terms of Reference – Revision• Risk Management Strategy Refresh• Board Assurance Framework• Corporate Risk Register | |
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ii. Changes in Level of Assurance

It was confirmed that the Committee had considered the BAF and discussed key areas.

At the present time there were no changes in the level of assurance.

iii. Review Future Meeting Agenda

Agreed to review outside of the meeting.

**Date and time of next meeting:
Tuesday, 23 April 2019 at 1.00 p.m.**

Tudor Board Room, Tudor Building, Fulwood House

***Apologies to: Jeanine Hall, PA to Executive Director of Finance
& Chief Executive
(Tel 2716716) jeanine.hall@shsc.nhs.uk***

AS/JCH/Approved AS
Approved AC 23 April 2019