

Report of the Chair of the Audit Committee

Part 1 Board Meeting 25 July 2018

1. Background

The Audit Committee meets five times a year. This report highlights the key issues from the Audit Committee on 18 July 2018.

2. Topics of Discussion

The following matters were discussed at the meeting:

Single Tender Waivers (STW) quarterly report

The Committee noted the significant decrease in the number of STWs in the quarter. The Committee noted the maximum value for STW was under review and would be included in the revised Standing Financial Instructions.

Internal Audit reports

The Committee reviewed progress with the implementation of recommendations from completed internal audits for 2017/18. Good progress had been made and follow up meetings will be held regarding the recommendations in respect of complaints management and the maximum wait for diagnostic procedures.

The Committee noted that a new system for recording medical devices was being purchased. The Committee decided this would be an opportunity to review the assurances available in respect of the management of medical devices. The Director of Estates will be invited to the next meeting.

Regarding the 2018/19 internal plan, the Committee noted that Dorset Clinical Commissioning Group had requested a county- wide review to assess the capacity of Dorset Trusts to introduce Windows 10 operating system.

Counter fraud reports

The Committee received the Quarterly Report of Anti-Fraud, Bribery and Corruption and noted the work done to increase awareness of fraud within the Trust. There had been no new investigations in the period. The Committee welcomed the fact that staff awareness of the Trust's Policy for Managing Conflicts of Interest is improving. The Trust had acquired software to enable corporate oversight of the declaration process and progress will be reported at the next meeting. The Committee noted the importance of communications around the system.

Annual Report Summary

The Committee received a summary of the Annual Report and noted this was mainly for members of the public and would be published alongside the Quality Account summary. The Committee made suggestions on how the report could be improved to ensure it was more reader friendly and interesting to read.

Board Assurance framework

The Committee received the outcome of the Quarter one review of the Board Assurance Framework and noted that the Board had agreed to roll-over the strategic risks for 2017/18 pending completion of the review of the Trust strategic objectives. This would be completed in September.

The Committee noted that the difficulty of mitigating the risk related to the long term financial stability of the Trust. It would be important for the Board to consider this further, both in terms of scenario planning for the Trust and in partnership discussions with other providers in Dorset.

Draft minutes of the Quality Governance Committee meeting

The Committee received the minutes from the Quality Governance Committee meeting on 11 July 2018. It was noted that the Committee had discussed the progress in implementing the annual staffing review recommendations. The Committee noted that a number of risks had been identified and the Executive had been asked to review options for mitigating these risks.

The Committee noted that recent discussions with staff had identified that some clinical hours were being lost in administration and data input and agreed this would be discussed at the meeting of the Chief Executive and the next Non-Executive Directors.

The Committee discussed the importance of having a long term system wide IT strategy. It was hoped that this would be a priority for the new Chief Information Officer.

Annual Review of Committee Terms of Reference

The Committee noted the changes made to its Terms of Reference and agreed to recommend these to the Board.

3. Assurance statement

The Audit Committee confirms to the Board that it is compliant with its Terms of Reference and that it continues to review the adequacy and effective operation of the Trust's overall internal control system

4 Recommendation

The Board is asked to note the report.

John McBride
Chair, Audit Committee
July 2018

TERMS OF REFERENCE:
AUDIT COMMITTEE

The Board will establish an Audit Committee (the Committee) as a non-executive Committee of the Board with the powers delegated in these Terms of Reference.

1. Purpose

The Committee will acquire and scrutinise assurances during the year as to the integrity of the Trust's principal disclosure statements, including financial statements. This is undertaken by scrutinising assurances on the design and operation of controls. The Committee will acquire and scrutinise assurances relating to the following:

- (i) Annual Governance Statement relating to the system of internal control, which may include letters of representation;
- (ii) Annual Report and Accounts, with accounting policies, including Treasury Management Policy and Notes to the Accounts;
- (iii) Compliance with the provider Licence and, in particular, the Corporate Governance Statement;
- (iv) The annual self-certification statements required by NHS Improvement;
- (v) Annual disclosures in relation to the NHS Foundation Trust Code of Governance.

The Committee will take a risk-based approach to the overarching scrutiny of the Trust's assurance, risk and governance structures and processes so that the Board may be provided with assurance that the Trust's corporate objectives will be met. The Quality Governance Committee will review assurances as to the design and operation of the Trust's clinical risk management systems and controls.

The Audit Committee will assure itself that an appropriate system for raising concerns at work (whistle-blowing) is designed appropriately and operating effectively.

2. Duties

2.1 The Audit Committee oversees the work of internal audit, external audit and the local counter-fraud service; assurance on internal control, including compliance with the law; Provider Licence conditions and other regulations governing the Trust's activities.

2.2 The Committee will review the adequacy of:

- Annual risk and control-related disclosure statements (in particular the Annual Governance Statement; Annual Report and Accounts; Corporate Governance Statement; Annual Plan and Strategic Plan) and processes that lead to confidence in making declarations of compliance with the Trust Licence.
- The underlying assurance processes that indicate the degree of achievement of the organisation's enabling objectives which make the delivery of high quality healthcare probable; and the effectiveness of the management of the significant corporate risks scored as greater than 15 as set out in the Board Assurance Framework. (The Quality Governance Committee undertakes the same in respect of clinical risks).
- The Head of Internal Audit opinion, External Audit opinion and other appropriate independent assurances.

- The policies for ensuring compliance with relevant regulatory, legal and Code of Governance requirements.
- The policies and procedures for all work related to bribery, fraud and corruption, as required by NHS Protect.

2.3 In carrying out this work, the Committee will utilise the work of internal audit, external audit and other assurance functions (collectively, the third line of defence), but will not be limited to these functions. It will also seek reports and assurances from Directors and managers as appropriate, concentrating on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness (collectively the first and second lines of defence).

2.4 This will be evidenced through the Committee's use of an effective assurance framework to guide its work and that of the audit and assurance functions that report to it.

2.5 Internal Audit

The Committee will ensure that there is an effective internal audit function established by management that meets mandatory NHS internal audit standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board. This will be achieved by:

- Consideration of the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal;
- Review and approval of the internal audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the assurance framework;
- Consideration of the major findings of internal audit work (and management's response), and ensure co-ordination between the internal and external auditors to optimise audit resources;
- Ensuring that the internal audit function is adequately resourced and has appropriate standing within the organisation;
- An annual review of the effectiveness of internal audit.

The Head of Internal Audit will have a direct reporting line to the Committee and its Chair.

2.6 External Audit

The Council of Governors has the responsibility to appoint or remove the Trust's external auditors. The Committee will work with the Council of Governors in the appointment process.

The Committee will review the work and findings of the External Auditor, and consider the implications and management's responses to the External Auditor's work. – This will be achieved by:

- Reviewing the performance of the External Auditor;
- Discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the external audit plan;
- Discussion with the External Auditor of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee;

- Reviewing all external audit reports, including agreement of the Annual Audit letter, before submission to the Board and any work carried outside the Annual Audit Plan, together with the appropriateness of management responses, including any mandated audit of any Quality Account metrics.
- The External Auditor will have a direct reporting line to the Committee and its Chair.
- The External Auditor will address statutory letters and opinions to the Council of Governors.
- The External Auditor will routinely be invited as an observer to Council of Governors meetings and provided with opportunities to report to the Council and take questions at formal meetings.

2.7 Counter-Fraud

The Committee will review the work and findings of the counter-fraud service and consider the implications and management's responses to their work. This will be achieved by:

- Discussion with the local Counter-Fraud Specialist;
- Review and approval of the Annual Counter-Fraud Work Plan;
- Review of all reports, including investigations and proactive work in accordance with the Counter-Fraud Work Plan.

Management

- 2.8 The Audit Committee will review the findings of other significant non-clinical assurance functions, both internal and external to the organisation, and consider the implications for the governance of the organisation.
- 2.9 The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, if it considers this necessary. The Trust Board will be informed..
- 2.10 The Committee should also ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.
- 2.11 The Committee will assure itself that adequate arrangements are in place, have been designed well and have been shown through testing to operate effectively to sustain the organisation in the event of an actual or potential emergency situation and business interruption.

3. **Membership**

- 3.1 The Chair and other Members will all be independent Non-Executive Directors. There will be a minimum of four Members at all times.

One of the Members will be appointed Chair of the Committee by the Trust Chair.

The Trust Chair will not be a Member of the Committee.

At least one Member of the Committee will have recent or relevant financial experience.

At every meeting there will be a part of the Committee business that will comprise a meeting between the Non-Executive directors and the internal and external auditors followed by a part of the meeting for Non-Executive Directors only, excluding any Trust officers who would normally attend.

Appropriate representatives of internal and external audit and local counter-fraud service will attend the meeting routinely, other than for the parts from which they are excluded.

The Director of Finance and Trust Secretary will also generally attend, other than those parts of the meeting from which they are excluded.

- 3.2 The Chief Executive and other Executive Directors will be invited to attend, particularly when the Committee is discussing areas of risk or control that are the responsibility of that Director. The Chief Executive should be invited to attend at least annually, to discuss with the Audit Committee the process for assurance that supports the Annual Governance Statement.

4. Quorum

In order for decisions taken by the Committee to be valid, the meeting must be quorate. This will consist of three members of the Committee being present at the point when any business is transacted. Attendance by telephone or audio visual means will count towards the quorum.

5. Frequency of Meetings

- 5.1 The Committee will meet at least six times per year. An additional meeting will usually be arranged to coincide with the review of the Annual Governance Statement, Annual Report and Accounts before submission to the Board for approval. The External Auditor or Head of Internal Audit may request additional meetings if they consider it necessary.
- 5.2 ~~Quarterly meetings will be planned to occur prior to the submission of quarterly reports to Monitor. This will enable the Audit Committee Chair to make a timely report to the Board on the current assurance position at the meeting at which the Board signs off the quarterly report.~~

6. Relationships with Other Committees

- 6.1 The minutes of meetings will be formally recorded and a report submitted to the Trust Board. The Chair of the Committee will draw to the attention of the Board any issues that require disclosure to the full Board or require executive action.
- 6.2 The Chair of the Committee will report to the Board at least annually on the completion of its work in support of the Annual Governance Statement.
- 7.3 The Chair of the Committee will maintain frequent and open communication with the Chair and Deputy Chair of the Trust; the Chairs of the Quality Governance Committee and the Mental Health Legislation Assurance Committee; and the Executive Quality & Clinical Risk Group and the Executive Performance & Corporate Risk Group. ~~They will meet together~~

~~informally to triangulate their learning and information on clinical and corporate risks and assurance each quarter, supported by the Trust Secretary.~~

7. Monitoring Effectiveness

7.1 The Committee will, at least once a year, review its own performance and Terms of Reference and will recommend any changes it considers necessary to the Board for approval.

8.1 ~~7.2~~ The Committee will provide an Annual Report to the Trust Board, which will summarise its performance against the delivery of its work programme, setting out the challenges and successes over the year; it will also report on attendance during the year. It will maintain an annual programme for the programme of work for the forthcoming year. In particular, the annual programme coverage will incorporate all key areas within the Committee's duties, as set out in section 2 of its Terms of Reference.

Reviewed: May 201~~8~~⁷

Next review date: May 201~~9~~⁸

8. Document Owner
Trust Secretary

Report of the Chair of the Charitable Funds Committee

Part 1 Board Meeting 25 July 2018

1. Background

The Charitable Funds Committee meets four times a year. This report highlights to the Board the key issues from the most recent Charitable Funds Committee meeting on 18 July 2018.

2. Topics of Discussion

2.1 The following matters were discussed at the meeting

Future of the Charitable Funds Committee

The Committee discussed the future of the Committee and it was agreed that a proposal would be brought to the next meeting on 17 October, covering the rationale for new arrangements, the process for handling charitable funds efficiently, transparently and appropriately, and the future governance and scrutiny of this role if not carried out by a Committee.

Income and Expenditure report

The Committee received the Income and Expenditure report for the period from 1 February 2018 to 30 June 2018 and noted the closing balance of £454k. Total income for the period was £71k with a total expenditure of £41k.

Key Performance Indicator report

The Committee received the Key Performance Indicators report for the period from 1 February 2018 to 30 June 2018 and noted that as at the end of Quarter 2, the unrestricted expenditure totalled £32k. At this current rate of expenditure, it would take 53 months before the unrestricted fund would be utilised based on a fund balance of £344k.

Spending plans for 2018

The Committee received the spending plans for 2018 and agreed that there was a need to ensure oversight on some of the expenditure.

Committee Terms of Reference

The Committee agreed to defer this item pending a decision on the future of the Committee.

3. Assurance statement

The Charitable Funds Committee confirms to the Board that it is compliant with its Terms of Reference and that it continues to make and monitor arrangements for the control and management of the Charitable Fund investments of the Trust.

Recommendation

The Board is asked to note the report.

Sarah Murray
Committee Chair
July 2018