

Audit Committee Annual Report 2013/14

31 March 2014

1. PURPOSE OF THE AUDIT COMMITTEE

The aim of the Audit Committee is to review and independently scrutinise St George's Healthcare NHS Trust's systems of clinical governance, internal control and risk management thereby ensuring, through proper process and challenge, that integrated governance principles are embedded and practised across all St George's activities and that they support the achievement of the Trust's objectives.

It also reviews key internal and external financial, clinical, fraud and corruption and other policies, reports and assurance functions thereby providing independent assurance on them to the Board of St George's.

In addition, the Committee provides a form of independent check upon the executive arm of the Board.

Preparation of an annual report to the Board setting out how they have met their terms of reference during the financial year is recommended as best practice in the NHS Audit Committee Handbook.

2. TERMS OF REFERENCE AND MEMBERSHIP

The Audit Committee is a sub Committee of the Board.

2.1 Terms of Reference

The Committee reviewed and agreed its terms of reference in January 2014. These are shown at Appendix 1.

2.2 Frequency of Meetings

Under the terms of reference, the Committee is required to meet not less than four times a year. During 2013/14 the Committee met on five occasions (Appendix 2).

2.3 Membership

The Committee members, including the Chair, are appointed by the Board and comprise three Non-Executive Directors. Meetings require the attendance of two members in order to be quorate. The members of the Committee throughout the year, together with their other committee memberships, were:

- Michael Rappolt (Chair) - Nominations and Remuneration Committee, Finance and Performance Committee, FT Stakeholders Steering Group
- Sarah Wilton - Finance and Performance Committee, FT Programme Board
- Judith Hulf – Quality and Risk Committee

2.4 Agenda Timetable

A risk based integrated work plan was published covering the Committee's business for 2013/14. With only minor variations, this was delivered in full to help ensure the Committee met the responsibilities within its Terms of Reference. The work plan is underpinned by the work of and reports from the Trust's internal and external auditors and the work plan is timetabled to ensure reports are received at the most appropriate times and that key reporting deadlines are met.

2.5 Appointment of External Auditors

The current external auditors are Grant Thornton.

The Audit Committee actively assessed the effectiveness of Grant Thornton by reviewing key performance indicators highlighting their performance.

3. WORK DONE

3.1 General

The Committee performed its work by establishing risk based areas, in the form of its Audit Committee Work Plan, that it wished to receive assurance upon, commissioning internal audit and external audit to report on those areas, requiring those executives responsible to attend meetings to explain matters more thoroughly and seeking further information from them as required.

A systematic Matters Arising arrangement is used, to ensure that outstanding issues and actions are brought back to the next appropriate meeting and followed up. In addition, the external auditors follow a programme of audits set out at the beginning of the year, which is discussed and agreed with Trust Management, approved by the Audit Committee and incorporated into the integrated plan.

A comprehensive Audit Tracking System is in use to monitor the implementation of agreed internal and external audit recommendations. The operation and maintenance of this tracking system is the responsibility of the Corporate Office, under the management of the Director of Corporate Affairs and is reviewed at each meeting.

At the November 2013 meeting of the Committee, the members met separately with the external and internal auditors without members of the Trust's executive being present. The Committee is satisfied that the auditors have received the necessary assistance from Trust managers and staff when carrying out their work programmes and no limitations have been placed by management on the scope of the work carried out by the auditors.

3.2 Briefings

The Committee was provided with regular briefings on the work of the Quality and Risk Committee, providing additional assurances.

The Director of Finance, Informatics and Performance, on behalf of the Finance Committee, provided briefings on the work of the Finance Committee and matters arising from that work.

The Audit Committee also received briefings, including the following:

- Clinical Audit activity and the work of the Clinical Audit and Effectiveness Committee, including the clinical audit process
- Action Tracking reports, from the Trust Secretary
- Quality Accounts, from the Director of Nursing
- Cyber Security, from the Director of Corporate Affairs

3.3 External Audit

The Audit Committee reviewed and where necessary approved, reports including:

- The External Audit Plan and fees
- External Audit Progress Reports
- Annual Audit letter and responses
- External Audit review of the audited Annual Accounts and Financial Statements 2012/13
- External assurance on the Trust's Quality Accounts

3.4 Internal Audit

The Audit Committee reviewed and where necessary approved:

- The Internal Audit Plan 2013/14 and amendments thereto.
- Head of Internal Audit Opinion on the effectiveness of the system of internal control
- Progress Reports at each meeting, including summaries of financial systems audits
- Annual Report, including key performance indicators
- Individual Internal Audit reports across the main operational areas of the Trust as follows:
 - **Safety/Patient Focus Reviews:** Medical Device Training, Fire Safety, Incident Management, Infection Control IT Portal, Discharge Summaries; Diagnostics Bookings Maternity Pathways Data Quality Cancer Waiting Times Data Quality: Commissioning Data Set-Admitted Patient Care; IT Business Continuity and Disaster Recovery
 - **Governance Reviews :** Board Assurance Framework & Risk Registers, CQC (Compliance Standards), Information Governance Toolkit, Information Governance Training, Counter Fraud Arrangements
 - **Financial Systems Reviews :** Fundamental Financial systems audits
 - **Clinical and Cost Effectiveness :** Efficient Purchasing and Control, IT service desk, Change Management and Implementation of Systems, Sickness

Absence Management, Agency Staff

- **Care, Environment & Amenities Reviews** : Patient Transport, Capital Programme, Estates Maintenance

3.5 Local Counter Fraud Specialist (LCFS)

The Audit Committee received, reviewed and where necessary approved

- The LCFS Annual Report 2012/13
- Progress reports (at each meeting)
- The LCFS plan 2014/15

The Committee is satisfied with the efforts being made by the Trust to address fraud within the Trust and that the LCFS feels free to report any concerns to the Committee.

Key performance indicators have been developed to enable the Committee to effectively monitor counter fraud activity.

3.6 Annual report and financial reporting

During the year, the Committee received various briefings from the Director of Finance, Informatics and Performance on the implications arising from the adoption of International Financial Reporting Standards (IFRS):

The Audit Committee reviewed:

- Compliance with accounting standards and practices and any changes being proposed
- The financial accounts for 2012/13 and recommended their adoption by the Board
- The Head of Internal Audit's Opinion on the effectiveness of the system of internal control for the year ended 31 March 2013
- Issues arising from the Audit of the accounts
- The External Auditors' Annual Letter

and made recommendations to the Board.

3.7 Disclosure Statements

The Audit Committee reviewed:

- The Annual Governance Statement 2012/13
- The Trust's Annual Report for 2012/13

and made recommendations for adoption to the Board

3.8 Quality Accounts

The Audit Committee reviewed the Trust's Quality accounts and considered they had considerably improved from the previous year. They were happy to recommend the Quality Accounts to the Trust Board, subject to final amendments.

3.9 Financial Governance

The Audit Committee regularly considered:

- Debt Write Offs
- Losses and Ex Gratia Payments
- Waivers of Standing Financial Instructions, mainly in respect of non-tendering of various procurement contracts.

The Committee also reviewed the Trust's Standing Financial Instructions and Scheme of Delegation and approved these with minor amendments.

3.10 Reporting to the Board

Minutes of the Audit Committee are provided to the Trust Board. In addition, after each meeting, the Audit Committee Chairman provides a written report to the next meeting of the Trust Board on significant conclusions, concerns and recommendations arising from the Committee's work. The issues highlighted to the Board this year included the following:

- **IT Business Continuity and Disaster Recovery**
In September, an update was provided in this area, which had been tracked by the Audit Committee for the last two years. The Audit Committee recommended that the risk register should be reviewed for each of the systems where it was not totally clear what assurances there were about recovery and testing regimes.

A further update in November showed that progress was being made, but 4 departmental systems were still red RAG rated. In January, a further update was provided in respect of the specific issues being tracked.

- **Sickness Absence Management**
The main concern from this reasonable assurance report was the lack of documentation for self-certification and return to work interviews. The Executive undertook to clarify policy requirements and make the need for documentation more explicit.
- **Medical Devices Training**
Following a limited assurance report from internal audit it was recommended that the Quality and Risk Committee gave this area particular oversight attention to ensure there were adequate records.
- **Agency Staff**
In September a reasonable assurance internal audit report was presented. Concerns were raised that the significant spend in Estates was not subject to the same level of formalised control as for nursing staff, where controls had significantly improved. This issue was being considered through the Workforce Efficiency Group. The lack of evidence of local induction for agency staff was again raised as a concern.

A further update from the HR Director in November showed that further progress had been made, and this would be reviewed in an audit for 2014/15,

- **Patient Transport**
In September there was a management update on the Patient Transport

improvement actions. This was followed in March by a reasonable assurance internal audit report. The need to extend the successful service improvement programme to improve the timeliness of booking transport and effective discharge planning was highlighted.

- **Counter Fraud Self- assessment**
Following the review of this self-assessment, which was green, 2 areas were highlighted as requiring Executive action. These were the completion of actions following the Bribery Act, and Counter Fraud awareness training to be reinstated on all induction courses.
- **Procurement**
Trust management reported in November on the efficiency improvements that had been implemented in procurement. However, the significant expenditure not subject to purchase orders was still an issue. An internal audit review in January provided reasonable assurance.
- **Data Quality – Maternity Pathways**
A limited assurance internal audit report identified weaknesses in the systems and controls which could lead to data errors. No risks to patient safety were identified, but revenue may be affected. 3 lessons learnt were provided to the Board:
 - The need to assess changes to payment pathways at an early stage;
 - Problems with local ownership of IT systems;
 - Issues with implementing Trust mandated standards of project management.
- **Data Quality of Commissioning Data Set – Admitted Patient Care/IT service desk processes/IT Change Control/Infection Control/CQC Compliance/Capital Programme Management/Board Assurance Framework and Risk Registers/Information Governance Toolkit/Financial Systems (2 systems)**
Reasonable assurance was reported from these internal audit reviews.
- **Financial Systems (5 systems)/Information Governance Training**
Significant assurance was reported from these internal audit reviews.
- **Diagnostics**
A reasonable assurance internal audit report highlighted a lack of consistency in quality management systems operating across the different departments. It was recommended that the Trust tries to harmonise these.
- **Fire Safety**
The Committee was concerned by the limited assurance report on fire safety. Some aspects of the report had not been agreed by the Director of Estates and Facilities and these were discussed but remained unresolved. Management provided assurance that all recommendations would be implemented by the end of March, and the Committee asked the Board to ensure that this was done in order to eliminate the patient risk. Internal Audit were asked to complete a follow-up review at the end of March to confirm implementation and inform the Annual Governance Statement, and management provided a further update to the March Committee.
- **IT Portal Project**
Following Board approval of this major project, the Audit Committee requested regular review by Internal Audit. A verbal report was provided in January, followed by a written report in March. This gave reasonable assurance on the project

initiation, and further reviews will be provided during 2014-15.

- **Estates Maintenance**

A limited assurance report raised concerns as it showed there had been little progress since the last audit in 2010/11. As with Fire Safety, it was agreed that an internal audit should be carried out at the end of March to provide assurance on subsequent improvements and inform the Annual Governance Statement, and management provided an update to the March Committee.

- **Incident Management**

An overall reasonable assurance report provided significant assurance in respect of SIs but limited assurance on non-serious incidents but limited assurance in respect of non-serious incidents.

- **Cancer Waiting Time Data**

A limited assurance audit found no evidence of cancer data being manipulated, and a culture that encouraged accurate reporting. However, there are significant weaknesses in the system enabling data recording errors to be made. Management assurance was provided that no patient safety issues had arisen. A further follow-up audit was requested for 2014-15.

- **Discharge Summaries**

A limited assurance audit report highlighted problems with electronic discharge summaries not all being completed, not being sent to patients and GPs in a timely manner, and being of variable quality. A detailed implementation plan from the Medical Director was requested for the September Audit Committee.

3.11 Action Tracking

The Committee continues to monitor the action tracking reports which detail progress being made in implementing agreed recommendations. These reports are produced by the Director of Corporate Affairs to provide assurance that prompt remedial action is taken by relevant management in response to actions agreed following internal audit and external audit reports. The Committee noted that throughout the year the Trust continued to action outstanding items, but commented that some actions were not implemented in a timely manner.

4. SUPPORT TO THE AUDIT COMMITTEE

Support to the Committee was provided, as follows:

4.1 Internal Audit

The Trust's internal audit service during 2013/14 continued to be provided by London Audit Consortium (LAC), an NHS non-profit organisation providing a range of services to the NHS and other public sector bodies. The internal audit team has been based at the Trust throughout the year. Internal Audit reports directly to the Audit Committee.

4.2 External Audit

The Trust's External Audit Service was provided by Grant Thornton. The Annual Audit Letter for 2012/13 was presented to the Committee in September 2013. The Committee received and noted the external audit plan for 2013/14.

4.3 Local Counter Fraud Specialist (LCFS)

The Trust has 2 full-time employees acting as the Trust's LCFS. The LCFSs have a direct line of reporting to the Director of Finance, Informatics and Performance consistent with the Secretary of State's Directions.

4.4 Trust Executive and Senior Managers

The Director of Finance, Informatics and Performance and Chief Nurse & Director of Operations, or their deputies attend each meeting of the Committee. In addition, as and when required, other Trust executives and senior managers prepare reports, action follow up items and attend the Audit Committee meetings to discuss and comment upon internal audit reports relevant to their specific areas.

The Director of Corporate Affairs (Trust Secretary) has provided support to Audit Committee throughout the year by acting as secretary to the Committee.

5. COMMITTEE DEVELOPMENTS

5.1 Audit Committee Self Assessment

The Audit Committee undertook a self assessment survey in January 2014. The key issues arising were highlighted as:

- Training;
- Discussion of future workload at Board level;

The Committee membership and Terms of Reference were also discussed and agreed.

6 CONCLUSION

The Audit Committee believes that it has, to the best of its ability, met its terms of reference. It gratefully acknowledges the excellent support it has received without which it could not have fulfilled its remit.

Mike Rappolt
Chair of the Audit Committee 2013/14