

## MINUTES OF THE AUDIT COMMITTEE MEETING

Held on Tuesday 24 July 2018  
Meeting Room, Corporate Offices, Colchester Hospital

### Members Present:

Diane Leacock	Non-Executive Director (Chair)
Richard Kearton	Non-Executive Director
Helen Taylor	Non-Executive Director

### In attendance:

Ann Alderton	Company Secretary
Neil Abbott	Director of Audit, TIAA
Lisa George	Local Counter Fraud Specialist, TIAA
Alan Woodhead	Audit Manager, Mazars
Archie Rwavazhinji	Audit Manager BDO
Mark Caines	Assistant Director of ICT
Sara Naylor	Director of Communications and Engagement
Andy Laing	Local Counter Fraud Specialist, Mazars
Graham Clarke	Audit Manager, Mazars

### Apologies:

Denver Greenhalgh	Director of Governance
David Eagles	BDO
Liana Nicholson	Audit Manager BDO
Mike Meers	Director of IM&T
Neil Moloney	Managing Director
Nicole McLaughlin	Local Counter Fraud Specialist, Mazars
Charlie Roberts	Local Counter Fraud Specialist, Mazars

<b>Section One – Chairman’s Business</b>		<b>ACTION</b>
<b>01/18</b>	<b>Welcome and Apologies for absence</b>	
	<p>Apologies were received as detailed above.</p> <p>Following introductions, Mrs Leacock welcomed everybody and reminded the committee of the meeting’s objectives, which were to ensure that the issues of predecessor Trusts were captured and followed up, agreeing the terms of reference and setting out how the committee will operate in the new financial year and covering the regular reports from external audit, internal audit and counter fraud.</p>	
<b>02/18</b>	<b>Minutes of IHT meeting held 22 May 2018</b>	
	<p>The minutes of the IHT Audit Committee meeting were confirmed as correct, subject to the correction of a misreporting of numbers relating to Counter Fraud.</p> <p><b>Resolved: The minutes were approved subject to those corrections</b></p>	
<b>03/18</b>	<b>Minutes of CHUFT meeting held 24 May 2018</b>	
	<p>The minutes of the CHUFT Audit &amp; Risk Committee meeting were confirmed as correct.</p> <p><b>Resolved: The minutes were approved</b></p>	
<b>04/18</b>	<b>Review of Action Tracker</b>	
	The action tracker was reviewed and updated.	
<b>05/18</b>	<b>Matters Arising</b>	
	<p>It was noted that the limited assurance internal audit report of ward visits in Colchester would be reviewed by QPS as a patient experience issue. The committee requested feedback on actions at the next meeting. This would remain on the tracker.</p> <p>Digitisation of Essex County Hospital – as the Assistant Director of ICT was unable to comment on the current status of this project, this was deferred to the next meeting for the Director of ICT to comment and would remain on the tracker</p>	
<b>06/18</b>	<b>IHT Audit Committee Chair handover to ESNEFT</b>	
	<p>Mr Kearton advised that the former Audit Committee chair at Ipswich Hospital had maintained a list of things to hand over to the successor committee.</p> <p>Mrs Leacock noted a number of issues were already on the forward plan. It was agreed to update the handover sheet with the status of each of the recommendations and report back to the next meeting.</p>	<b>AA/DL</b>
<b>Section Two – Items to meet the terms of reference</b>		<b>Action</b>
<b>07/18</b>	<b>ESNEFT Audit &amp; Risk Committee Terms of Reference</b>	
	<p>Dr Alderton reported and advised that the draft Terms of Reference were based on the model in the HFMA Audit Committee handbook, which had been used at both predecessor Trusts. The only additional item in the terms of reference related to Information Management and Technology (IM&amp;T), which had been assigned to the Audit Committee for oversight.</p> <p>It was noted that there were some minor typographical errors in the document and that NHS Protect had been superseded by the NHS Counter Fraud authority.</p> <p><b>Resolved: Subject to the minor changes highlighted, the committee approved the terms of reference</b></p>	
<b>08/18</b>	<b>CHUFT Audit Committee Annual Report</b>	

	<p>Mrs Leacock introduced the report, which in Colchester was prepared after the external auditors had completed their year-end audit. The main themes which she wished to highlight included the following:</p> <ul style="list-style-type: none"> <li>• The continuing lack of clarity over where clinical audit assurances are received and monitored</li> <li>• The Trust's success in not having any audit recommendations past their due date</li> <li>• The ongoing counter fraud themes of staff working whilst off sick and falsification of records</li> <li>• Areas of vulnerability in internal controls, which included NEESPS, management of patient valuables, GDPR readiness and payroll overpayments</li> </ul> <p>The focus for the year ahead would include ongoing scrutiny of the areas of vulnerability and ensuring the effective management of the quarter end accounts for the Ipswich Hospital NHS Trust.</p> <p><b>Resolved: the committee received the report and noted the year-ahead priorities for the successor committee</b></p>	
<b>09/18</b>	<b>IHT Audit Committee Annual Report</b>	
	<p>Dr Alderton advised that this report had already been reviewed by the Ipswich Hospital Audit Committee and Board but was presented at this meeting for completeness of both predecessor organisations.</p> <p><b>Resolved: the committee noted the report</b></p>	
<b>10/18</b>	<b>Corporate Governance Framework</b>	
	<p>Dr Alderton advised that this report was a compendium of all of the main corporate governance documents for ESNEFT, some of which had already been approved (Standing Orders, SFIs, Scheme of Delegation), and others of which were going through the approval process currently (committee terms of reference). It also included the assurance mapping that linked the regulatory duties of the Trust with the delegated duties from the board to its assurance committees. It was intended as a reference document for board members and committee chairs.</p> <p><b>Resolved: the committee recommended the Corporate Governance Framework to the Board for approval</b></p>	
<b>Section Three – Internal Controls</b>		<b>Action</b>
<b>11/18</b>	<b>Outstanding Audit Recommendations Report</b>	
	It was noted that the outstanding audit recommendations reports from Mazars and TIAA would be picked up in section six below	
<b>Section Four – Information Management, Technology and Governance</b>		<b>Action</b>
<b>12/18</b>	<b>Quarterly Information Security Report</b>	

	<p>Mr Caines presented the report and drew the committee's attention to the standards expected to meet national cyber-security requirements and the progress made on both sites to achieve them.</p> <p>He drew the committee's attention to an information security incident which had arisen when an application server hosted and managed by a third party (OCSL) was infected with ransomware. The incident was apprehended, the malware did not spread and there was no data loss but the Trust still flagged it as a serious incident and would be carrying out root cause analysis with the third party to determine cause and to seek assurances from them regarding actions to prevent recurrence. Longer-term, it was intended to bring the contract back in house.</p> <p>It was reported that the funding received by the Trust to improve information security had been investment in patch management.</p> <p>In response to a question from Mrs Leacock, Mr Caines advised that there would be a full penetration test and that there was a new IT Security Manager in post, who would be undertaking a Trust-wide audit. The Trust was also looking at Cyber-essentials accreditation.</p> <p>Mr Kearton questioned how close the Trust was to having consistent IT security across both sites. Mr Caines confirmed that there had been considerable work, including the development of common policies and standards and that this was an ongoing process, which although progressing well was not yet complete.</p> <p>Mr Woodhead advised that there was an internal audit of cyber-security on the forward plan for 2018/19.</p> <p>Discussion ensued over IT investment and information security arrangements across all areas of the Trust and it was suggested that a briefing be arranged for the Board on IT investment, linked to the IT strategy, to ensure members were fully briefed on the various IT capital schemes and other strategic priorities.</p> <p><b>Resolved: the committee noted the report</b></p>	<b>MM</b>
<b>13/18</b>	<b>eHealth Board update</b>	
	<p>The first meeting of the ESNEFT eHealth board had taken place. The initial meeting was about setting the Terms of Reference, the programme for the year ahead, and approval of IT capital plan prior to submission to investment plan.</p> <p><b>Resolved: the committee noted the report from the eHealth Board</b></p>	
<b>14/18</b>	<b>GDPR Compliance Update</b>	
	This was deferred to the next meeting for a report from the Director of Governance and Mrs Sarah Preston, Head of Information Governance	
<b>Section Five External Audit</b>		
<b>15/18</b>	<b>Post-merger accounts for IHT</b>	
	<p>The Director of Finance updated the committee that the accounts for Ipswich Hospital had been subject to a hard close-down at the end of Q1 and that the auditors would be conducting their audit in October. Final details regarding the timetable and reporting arrangements, including fees, were yet to be agreed.</p> <p><b>Resolved: the committee noted the report from the Director of Finance</b></p>	
<b>16/18</b>	<b>External Assurance Report on the Quality Account</b>	

	<p>Mr Rwavazhinji presented the external assurance report on the Ipswich Hospital Quality Account. The report concluded that the content complied with DH guidance and was consistent with other documents. There were no issues with the accuracy of the two mandated indicators – the percentage of patients risk assessed for VTE and the rate of C Difficile infections, which the auditors considered were reasonably stated in all material respects.</p> <p><b>Resolved: the committee noted the external assurance report on the Quality Account</b></p>	
<b>17/18</b>	<b>Annual Audit Letter 2017/18 for Colchester</b>	
	<p>Mr Rwavazhinji presented the annual audit letter from BDO, which provided the committee with a summary of the key issues arising from the work undertaken by the auditors as part of the year-end audit, details of which had already been presented at the May Audit &amp; Risk Committee meeting.</p> <p>The letter reported an unqualified opinion on the financial statements, a qualified “except for” opinion on the Trust’s use of resources and a modified assurance report on the Quality Report due to concerns over the accuracy of the reported performance of the percentage of incomplete pathways.</p> <p>In response to a question from Mrs Taylor, the Director of Finance advised that there was an action plan to address the weaknesses relating to incomplete pathways, which included a detailed training programme for staff and preventing them from accessing the system if they didn’t complete the training.</p> <p>The committee was advised that there would be follow-ups of the outstanding recommendations relating to that audit but that there were no plans for it to be re-audited.</p> <p><b>Resolved: the committee noted the annual audit letter for Colchester Hospital.</b></p>	
<b>18/18</b>	<b>Annual Audit Letter 2017/18 for Ipswich</b>	
	<p>The Ipswich Annual Audit Letter had not been circulated with the papers. Mr Rwavazhinji explained that the report was a summary of the May ISO 260 report which issued a clean opinion on the accuracy of the financial statements and the Quality Account and an “except for” opinion on use of resources.</p> <p>As the Trust reported a deficit under section 30 of the Local Audit and Accountability Act 2014, BDO also issued a section 30 letter to highlight this to the Secretary of State, as a breach of the break-even duty.</p> <p><b>Resolved: the committee noted the annual audit letter for Colchester Hospital.</b></p>	
<b>Section Six Internal Audit</b>		
<b>19/18</b>	<b>IHT internal audit progress report</b>	

	<p>Mr Abbott reported progress against the internal audit plan for the Ipswich Hospital Trust for Q1. Five audits had been planned, two reports completed in time for the committee, with three reports in the process of being cleared.</p> <p>It was noted that one of those reports, having been finalised prior to the meeting, had been included in the pack. This related to a Data Quality Review of Theatre Performance information.</p> <p>The two completed audits - on risk management and on the premises assurance model - reported substantial assurance. The premises assurance audit would also be carried out for Colchester during 2018/19.</p> <p>There were currently 42 open recommendations, 21 of which had exceeded their originally agreed target dates. Internal audit was still waiting a response for eight of these, the majority of which related to the NEESPs partnership audit. The Director of Finance advised that there needed to be a review of the NEESPs recommendations following the merger, as it was no longer a contractual relationship.</p> <p>The Theatre Performance report had been issued separately to the committee as an internal audit which reported less than satisfactory assurance. Mr Abbott advised that it had been originally requested by the F&amp;P committee and that the audit had identified issues relating to incomplete information, errors in start dates etc. It was confirmed that a similar review was scheduled to take place on the Colchester site.</p> <p>The priority one recommendations would be added to the tracker and followed up.</p>	
<b>20/18</b>	<b>CHUFT – limited assurance reviews</b>	
	<p>Mr Woodhead reported on progress against the CHUFT internal audit plan. Since the previous meeting, Mazars had issued two limited assurance reports, infection control and GDPR readiness.</p> <p>The Infection Control audit identified that there had been resource issues that had resulted in delays to their audit programme, resulting in not all clinical areas being audited. Other issues included attendance at meetings and non-compliance with policy. The committee was advised that this area now formed part of the Chief Nurse's portfolio and requested that she attended the next meeting to explain the actions being undertaken. Mrs Taylor advised that it would also be picked up at the Quality meeting. The second limited assurance report was the GDPR readiness review. Mr Woodhead was reassured that colleagues in Ipswich had intervened to address the issue and noted significant progress since the report was issued. The Assistant Director of ICT advised that the right groups are now in place across both trusts, with resources from Ipswich deployed to address compliance in Colchester. It was noted that the team have moved across into Governance from IM&amp;T. Mr Woodhead confirmed that the issues were being addressed.</p> <p>The committee requested an update on GDPR compliance on the Colchester site via an offline briefing.</p>	<b>DG/SP</b>
<b>21/18</b>	<b>Colchester Hospital University NHS Foundation Trust – Internal Audit Progress Report</b>	
	<p>Mr Woodhead reported on work undertaken at the Trust in Q1. Since the last CHUFT audit committee had issued three 17/18 reports – two of which had been previously discussed. The third report was on sterilisation of equipment, which reported satisfactory assurance. The internal auditors had delivered 20 out of the planned 34 days, with the patient and staff safety audit having been deferred.</p> <p><b>Resolved – the committee noted the progress report from Mazars</b></p>	
<b>22/18</b>	<b>Colchester Hospital internal audit follow up report</b>	

	<p>Mr Woodhead reported that there were no outstanding recommendations past their due date. The two outstanding recommendations from 2015/16 and 2016/17 had been cleared and the only recommendations remaining related to 2017/18.</p> <p>It was confirmed that going forward, there would be a single follow-up report for both sites, which Mazars would lead on.</p> <p>Mrs Leacock questioned what the status of the Trust Health and Safety policy, which was due to be ratified in July 2018 was. It was agreed that this would be followed up with the Director of Governance.</p> <p><b>Resolved – the committee noted the follow up report from Mazars</b></p>	<b>A/ DG</b>
<b>23/18</b>	<b>ESNEFT – Internal Audit Plan 2018/19</b>	
	<p>Mr Woodhead presented the draft internal audit plan, which would be delivered by Mazars, working alongside TIAA. The Director of Finance confirmed that it had been reviewed by EMC and was aligned with key organisational risks. The only risk area not covered by the plan related to Medical staffing, which the Director of Finance was following up with Mazars.</p> <p><b>Resolved – the committee approved the internal audit plan for 2018/19</b></p>	
<b>Section Seven – Counter Fraud</b>		
<b>24/18</b>	<b>Local Counter Fraud Progress against plan 2017/18 IHT</b>	
	<p>Ms George reported on the work of the first quarter for Ipswich hospital. She highlighted the following issues for the committee's attention:</p> <ul style="list-style-type: none"> <li>• The action plan for the report of the Counter Fraud Authority had been closed off and all of the recommendations implemented.</li> <li>• Under the "Inform and involve" objective, a number of documents had been produced and attached as appendices for information. These included fraud newsletters.</li> <li>• There was one historic investigation ongoing which was not likely to proceed to a criminal investigation and would be closed down.</li> </ul> <p><b>Resolved – the committee noted the report</b></p>	
<b>25/18</b>	<b>Local Counter Fraud Progress against plan 2017/18 CHUFT</b>	
	<p>Mr Laing reported that Mazars had delivered 10 days on proactive counter-fraud and 9 days on investigations. There were two open cases and none had been closed off. New allegations since the previous report included falsified timesheets, failure to disclose a conflict of interest and working when off sick.</p> <p>Mrs Leacock observed that these latest allegations related to recurring themes and Mrs Taylor queried whether there should be a referral to the People and OD committee in relation to sickness absence management, given the number of allegations of staff working whilst off sick.</p> <p><b>Resolved – the committee noted the report</b></p>	
<b>26/18</b>	<b>IHT Counter Fraud Authority Report</b>	
	<p>Mrs George explained that this report had been requested by the committee to confirm the response to the CFA report issued earlier in the year. All of the recommendations had been either completed or superseded following the merger.</p> <p><b>Resolved – the committee noted the report</b></p>	
<b>27/18</b>	<b>Anti-fraud bribery and corruption policy and procedure</b>	
	<p>This was presented to the committee for review and commentary. Mrs Leacock requested that members returned their comments to the Director of Finance.</p> <p><b>Resolved - subject to any comments from members, the policy was approved.</b></p>	

<b>Section 8 Receipt of Reports by Consent</b>		
<b>28/18</b>	<b>Review of Losses and Compensation</b>	
	<p>The Director of Finance presented the report. At Colchester, there had been lower volumes and values of the losses compared to the previous year, with particular success in reducing pharmacy waste, following an internal audit review, with losses down from a peak of £10k a month to just over £3k. There remained some scope for further improvement.</p> <p>Mrs Leacock expressed her disappointment at the amounts relating to overpayments of salary. DS explained that they were only treated as a loss when all attempts to recover had been exhausted.</p> <p>It was noted that there were a high number of patient valuable losses at Ipswich compared to Colchester, but this was partly due to reporting practices. As this had already been highlighted as a problem for Colchester from the internal audit report and had been referred to the Quality Committee, it was requested that practice on both sites be reviewed for consistency following the merger.</p> <p><b>Resolved – the committee noted the report</b></p>	
<b>29/18</b>	<b>Single Tender Waiver report</b>	
	<p>The Director of Finance advised that this log would be maintained by the procurement team in future and would be presented as a single log for the new Trust.</p> <p><b>Resolved – the committee noted the single tender waivers reported</b></p>	
<b>30/18</b>	<b>Appointment of Internal auditors</b>	
	<p>The Director of Finance gave a verbal update. The internal audit tender process undertaken the previous year had been inconclusive and would be rerun in 2018/19. The Director of Finance had been in discussions with the CCG, whose internal audit contract was also due for renewal and would be going out jointly to procure as an STP footprint to look at the contract collectively. There would be a project working group set up in September, with the aim to conclude the market testing by January 2019.</p>	
<b>Section 9 – Date of Next meeting</b>		
	20 November 2018	

Signed ..... Date .....

Diane Leacock  
Chair