

Assurance report of the Chair of the Audit Committee for the period ending 17 July 2018

Overview

This Chairs Report provides the assurance to the Trust Board on the business of the Audit Committee at its meeting held on 16th July. The Committee received assurances from the Governance & Compliance Sub-Committee which held its meeting on 10th July.

Successful Outcomes and Assurances

The committee received assurances in relation to the advisory audit on GDPR Readiness which was undertaken before GDPR go live. There were a number of areas requiring attention at that time to ensure full compliance by May 2018. The committee were assured that these were addressed prior to go live.

The committee received moderate assurance in relation to the Medical Devices Audit. The auditors confirmed improvements had been made since the last audit.

The committee further noted that there was progress in regards to outstanding audit actions and an improvement plan associated with the audit tracker that was welcomed.

Areas of Concern

2 areas of concern were noted by the committee:-

- The auditors (Grant Thornton) have now been in post 5 years at the end of the 2017/18 financial year and a retendering exercise should be done to ensure ongoing independence. This has not been started.
- There has been a significant increase in the level of 90 day debt since the year end. This is caused by a number of factors relayed to changes in the billing process from block contracts to per head as well as more thorough review by commissioners in relation to HO. It would appear that the data is difficult to provide accurately in the new level of detail required and this is creating delays. Sarah Barr has been requested to attend the next meeting to provide further assurance around the data warehouse capability and improvement and it was noted by the committee that Sarah has requested additional audit work to be undertaken on the data warehouse.

Strategic Objectives (these are to form part of the Audit Committee Strategic Objectives)

During the period the Committee received and rated assurance against achievement of the following key objectives or milestones as: -

Objective/Milestone	Outcomes	*Assurance	
		Level 1,2 or 3	No → high
1. Review the establishment and maintenance of an effective system of integrated governance, risk management and internal control – both clinical and non-clinical	Director of Audit Opinion – providing assurance that the Trust has a good system of internal control	L3	Significant
2. Monitor the integrity of the financial statements of the Trust reviewing significant financial reporting judgements contained in them	Unqualified Audit Opinion - External Audit Findings report	L3	Significant
3. A high level of engagement to engage with staff and external system partners to ensure horizon scanning is a formal element of the influence on its strategic direction.	Board development days are included in the Board Planning cycle from June to the end of the year. The Trust system and process for embedding a structured process for strategic horizon scanning is being enhanced and this is being led by the Interim Chief Executive. An integrated Planning & Performance Framework is being developed by end of quarter two and will be to the F&BDC.	L2	Significant
4. To maintain our best performing	The Trust Board Well-led Improvement Plan is	L2	Significant

status	making reasonable progress. Whilst some of the original milestone dates have been revised due to recent events, the new dates confirm substantial progress by the end of quarter two in anticipation of the national annual CQC inspection during 18/19.		
5. Board Assurance Framework (BAF) operates at best practice	The Draft BAF 2018/19 was presented and reflects the recommendations to meet best practice. A Board development session is planned for the 25 th July to assess and continually develop such as the principle of risk appetite.	L2 & 3	Significant
6. Information Governance – best practice level 3 (for all appropriate indicators)	<p>The self-assessment of our information governance compliance was reported in quarter four 2017/18 and was 83%</p> <p>The new Data Security & Protection Toolkit was launched in quarter 1 2018/19 and guidance against the self-assessment is awaited.</p>	L2 & 3	Significant

Exception/Emerging Issues Reporting

The exceptional item to report is the progress to implement the comprehensive well-led improvement plan. This remains a high risk. There are a number of significant improvements and work completed however, there remains much to do and this is a major priority for the senior leaders and executive team during quarter two and three. The executive team and senior leaders have a cohesive and prioritised plan and where additional skills and capacity are required these have been commissioned.

The new Data Security & Protection Toolkit 2018/19 and guidance for the self-assessment is awaited.

Operational Improvement

During the period the Committee received and rated assurance against achievement of the following KPIs or target measures as: -

KPI/Target	Outcomes	*Assurance	
		Level 1,2 or 3	No → high
1. Corporate Risk Register - proactive action to mitigate all risks 15 and above	On target to be enhanced to the required standard by 31/7/18 by the executive team and appropriate senior leaders during development sessions.	L1 & 2	Significant
2. A service will not have a limited assurance outcome for two consecutive years, subject to reasonable resources made available by the Board.	Implementation of revised audit tracker process to ensure all outstanding actions are monitored and progressed and therefore any limited assurances received should move to significant assurance at the follow-up review.	L1 & 3	Significant
3. Significant assurance for our cyber standards by March 2021.	<p>As at end of June 2018, the project plan to achieve this level of assurance was presented to Executive Team to provide assurance. A monthly monitoring plan has been put in place with owners for previous Cyber Security Reports and the most recent Cyber Security Cheshire and Mersey Wide STP maturity audit. A high proportion of long standing actions have now been achieved and plans are in place to manage other areas.</p> <p>A monthly update report is produced and exceptions will go through Digital Board</p>	L2 & L3	Limited

	(chaired by Medical Director) which in turn reports into the Infrastructure sub-committee. The ICT Manager is an active member of the STP Cyber Security Group and Cyber remains a key focus of the new Single Digital Roadmap for Cheshire and Merseyside "Digit@all" which is formally launched on 5/718 (Sarah to complete statement on plan and reasonable progress)		
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Exception/Emerging Issues Reporting

The exceptional item to report is confirmation of the new enhanced standard for improvement by the Audit Committee and that is, the number of limited assurance reports reported in two consecutive years is to be zero. This standard sets the bar and fits the Trust's ambition to be a best performing organisation; two consecutive years of limited assurance would not fit with this ambition or our values. This also fits with the principle that the Trust standard applies to all services and the available resources need to be taken into account. This principle will be further developed as the Trust Board develop a "balanced scorecard" for its performance. The Associate Director of Strategy is developing a process for consideration by the Board at a future Board Development session.

Compliance

During the period the Committee received and rated assurance against scheduled reporting on compliance/performance in the following areas of policy, regulation or operational practice as: -

Scheduled reporting from Cycle of Business	Outcomes	*Assurance	
		Level 1,2 or 3	No → high
1. Process to manage returns as identified in the Single Oversight Framework	Monthly Finance submission completed on time and to the right standard.	L2 & 3	High
2. Caldicott Guardian Annual Report compliance	Annual compliance review was completed end December 2017 (going forward review to be completed by financial year end ie March) and approved by Information Governance Board, next review in March '19	L2 & 3	High

Exception/Emerging Issues Reporting

There are no emerging issues to report for this period

Risks

During the period the Committee considered the performance in relation to management and mitigation of BAF risks assigned to them and provide the following summary of highlights for the Board to consider as part of their deliberation of risk; -

BAF Risk	Identified Key Risk Area	Action
To maintain excellent quality, operational and financial performance - Strategic Risk 10 - If we do not continually support, lead and prioritise improved quality, operational and financial performance we will not provide safe, efficient and effective cancer services	To maintain our best performing status	There are a number of significant improvements and work completed however, there remains much to do and this is a major priority for the senior leaders and executive team during quarter two and three. The executive team and senior leaders have a cohesive and prioritised plan and where additional skills and capacity are required these have been commissioned.
	A service will not have a limited assurance outcome for two consecutive years, subject to reasonable resources made available by the Board.	There are services that are operating at limited assurance that are a high risk to the Trust eg IT/cyber security. For IT/Cyber Security assurances a full review of all previous audits with outstanding actions has been pulled into a single monitoring plan which is monitored on a monthly basis by the Associate Director of IM&T. Areas identified as high or moderate risk that are on-plan to achieve or off trajectory but being managed are monitored through Digital Board Monthly and Infrastructure sub-committee. A planned restructure of the Trust's IM&T Department will also ensure there is dedicated resource for IT security linked into a wider knowledge base across Cheshire and Merseyside.

Risk Escalation

An overall risk to be uploaded into Datix to reflect any outstanding actions identified in the audit tracker and subsequently reported and monitored by Audit Committee.

New or Emerging Risks

There are no new or emerging risks.

**Assurance is rated by reference to the Assurance Quality Matrix which can be found in the 'Guidance to Chairs' of Committees and sub-committees of the Board*

The levels at which assurance is provided is reflected below.

Level 1 Assurance	Level 2 Assurance	Level 3 Assurance
<p>Frontline or operational delivery areas</p> <p>Provided by those responsible for service delivery</p> <p>Provides assurance of local ownership and that data is used to monitor performance, identify and address risk at the point closest to delivery and that objectives are being achieved</p> <p>Strongest single level of assurance</p>	<p>Associated with oversight of management activity</p> <p>Separated from delivery but not independent of the management chain.</p> <p>Could include compliance assessments or reviews to determine that policies are being met and objectives are being achieved</p> <p>Verifies assurance at 1st line and triangulates with other information available</p>	<p>Independent and more objective assurance</p> <p>Focus on internal audit but can include other external sources such as CQC, HSE.</p> <p>Benchmarks with similar organisations or against established frameworks of good practice</p> <p>Places reliance on 1st and 2nd lines of assurance.</p>

Assurance Quality Matrix

Assurance Rating	Description	Definition
High Assurance	Very high confidence in the level of assurance evidence provided	<p>Systems & Controls systematic processes are in place to manage the activity or control/mitigate risk at Level 1 assurance, there are appropriate review and moderation points built into the process at Level 2 assurance and where applicable, corroborating evidence is sought at Level 3 assurance. There is little or no opportunity to further reduce the risk of non-compliance within the context of the overall risk or threat level and associated risk tolerance.</p> <p>Compliance there is evidence based assurance that the key controls are designed and operating effectively, the activity is appropriately resourced and managed, that risks are controlled and monitored and that this is producing a positive performance/compliance outcome.</p>
Significant Assurance	High confidence in the level of assurance evidence provided	<p>Systems & Controls reasonable systematic processes are in place to manage the activity or control/mitigate risk at Level 1 assurance, review and moderation points are built into the process at Level 2 assurance and there is some regard to benchmarking. There is some opportunity to further reduce the risk of non-compliance within the context of the overall risk or threat level and associated risk tolerance.</p> <p>Compliance there is evidence based assurance that there are some weaknesses in the design or operation of key controls, the resourcing and or management of the activity that could have a low impact on achievement of objectives or compliance. Management are aware of this and there is evidence to support appropriate remedial action. Risks are reasonably well controlled and monitored and that this is producing an acceptable performance/compliance outcome.</p>
Limited Assurance	Some confidence in the level of assurance evidence provided	<p>Systems & Controls there are limited systematic processes in place to manage the activity or control/mitigate risk at Level 1 assurance, review and moderation points exist at Level 2 assurance. There is considerable scope for improvement to further reduce the risk of non-compliance within the context of the overall risk or threat level and associated risk tolerance.</p> <p>Compliance there is evidence that there are weaknesses in the design or operation of key controls, the resourcing and or management of the activity that could have a significant effect on achievement of objectives or compliance. Risks are known but control and monitoring is limited. This may result in some compliance issues but is unlikely to have a significant impact on overall achievement of organisational objectives or priorities.</p>
No Assurance	Little or no confidence in the level of assurance evidence provided	<p>Systems & Controls there is very limited evidence that systems and processes are in place to deliver adequate performance or compliance. There is substantial risk of non-compliance or inadequate performance within the context of the overall risk or threat level and associated risk tolerance. Immediate action is required to improve the control environment.</p> <p>Compliance there is evidence that there are significant weaknesses in the design or operation of key controls, the resourcing and or management of the activity that have a significant impact on the Trust. This may result in compliance issues and is likely to have a significant impact on overall achievement of organisational objectives or priorities.</p>