

Overview

This Chairs Report provides the assurance to the Trust Board on the business of the Audit Committee at its meeting held on Monday, 22nd October. The Committee received assurances from the Governance & Compliance Sub-Committee which held its meeting on 10th July.

Successful Outcomes and Assurances

- An internal audit report was received on sickness absence which received Substantial assurance.
- Substantial progress has been made on the Audit Tracker in reducing the outstanding actions from external audit reports.
- The Committee Reviewed the BAF framework provided by the Governance & Compliance Committee, which provided reasonable assurance that actions are in place to mitigate the strategic risks. In addition we reviewed the report on the questionnaire to the Board which demonstrated a positive response to the questions asked.

Areas of Concern

- An Internal audit of the integrated Service was marked as Limited Assurance. The detail indicated that whilst Risks are managed and discussed at departmental level and managed locally the actions communication and discussions were not noted on Datix. An action has been planned to ensure that Datix is used to monitor and record the above. This has been backed up by a review of all Risks by August 31st and completion of training by September 31st. The above is designed to enhance Risk management.
- We sustained a loss of £50,700 on the sale of a replaced CT Scanner to Devon Medical Equipment. Devon Medical Equipment went into administration after the sale and collection, but before cash was received. Future sales will be cash in advance before collection.

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. Additional dates were included and the refreshed Board development days are now published. The Trust system and process for embedding a structured process for strategic horizon scanning is approved and is part of the senior leaders' forum which came into effect September. This systematic approach is now form part of the recently refreshed integrated Planning & Performance Framework approved by the executive team in September.	L2	Significant
4. To maintain our best performing status	70% of the Board Well-led Improvement Plan is implemented and the Trust is on target for over 95% to be completed by March 2018. This is a standing item on the Audit Committee.	L2	Significant
5. Board Assurance Framework (BAF) operates at best practice	The Trust Board adopted the best practice standards in July. The BAF annual development plan continues to be a key priority to embed the best practice. The key next step is the Board development session on risk appetite scheduled for the 7 th December. This is a standard item on the Audit Committee.	L2 & 3	Significant

6. Information Governance – best practice level 3 (for all appropriate indicators)	Kate Greaves to complete.	L2 & 3	Significant
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Exception/Emerging Issues Reporting for this period are:

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	Reasonable progress in the development of the corporate risk register is evidenced since May. The progress is on track. There are no more high risks and the control systems in place to mitigate the high risks are appropriate but there is need for greater clarity on the end dates for 18/19 and 19/20 to reduce the mitigation. This is to be shown by 31 st October. There are no new emerging high risks.	L2	Positive
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	Positive
3. Significant assurance for our cyber standards by March 2021.	To be provided by MIAA	L2 & L3	Limited

Exception/Emerging Issues Reporting

There are no emerging issues. The exceptional item reported last time was the need to enhance general training and optimise the datix system. This is planned to take place during quarter 3 and from 19/20 datix training will become a mandatory training requirement.

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 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; -

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>