

NLG(18)077

DATE OF MEETING	27 February 2018
REPORT FOR	Trust Board of Directors – Public
REPORT FROM	Stanley Shreeve – Chair of Audit, Risk and Governance Committee / NED
CONTACT OFFICER	Marcus Hassall, Director of Finance
SUBJECT	Audit, Risk and Governance Committee Self-Assessment Exercise Results
BACKGROUND DOCUMENT (IF ANY)	HFMA NHS Audit Committee Handbook
PURPOSE OF THE PAPER:	For information
EXECUTIVE SUMMARY (PLEASE INCLUDE A BRIEF SUMMARY OF THE PAPER, KEY POINTS & ANY RISK ISSUES AND MITIGATING ACTIONS WHERE APPROPRIATE)	<p>Audit, Risk and Governance Committee members/regular attendees attended the annual workshop event on the 11th January 2018 to complete the latest HFMA Audit Committee self-assessment checklist.</p> <p>Those present during the session were:</p> <p>Stan Shreeve – NED / Chair of Audit Committee Linda Jackson - NED Tony Bramley - NED Marcus Hassall – Director of Finance Wendy Booth – Director of Performance Assurance Sally Stevenson – Assistant DoF – Compliance & Counter Fraud</p> <p>The results of the 2018 self-assessment exercise are recorded on the attached checklist with the latest comments added.</p>
HAVE STAFF SIDE BEEN CONSULTED ON THE PROPOSALS?	-
HAVE THE RELEVANT SERVICE USERS/CARERS BEEN CONSULTED ON THE PROPOSALS?	-
ARE THERE ANY FINANCIAL CONSEQUENCES ARISING FROM THE RECOMMENDATIONS?	-
IF YES, HAVE THESE BEEN AGREED WITH THE RELEVANT BUDGET HOLDER AND DIRECTOR OF FINANCE, AND HAVE ANY FUNDING ISSUES BEEN RESOLVED?	-
ARE THERE ANY LEGAL IMPLICATIONS ARISING FROM THIS PAPER THAT THE BOARD NEED TO BE MADE AWARE OF?	-
WHERE RELEVANT, HAS PROPER CONSIDERATION BEEN GIVEN TO THE NHS CONSTITUTION IN ANY DECISIONS OR ACTIONS PROPOSED?	-
WHERE RELEVANT, HAS PROPER CONSIDERATION BEEN GIVEN TO SUSTAINABILITY IMPLICATIONS (QUALITY & FINANCIAL) & CLIMATE CHANGE?	-
THE PROPOPSALS OR ARRANGEMNTS OUTLINED IN THIS PAPER SUPPORT THE ACHIEVEMENT OF THE TRUST OBJECTIVE(S)	-
THE PROPOSAL OR ARRANGEMENTS OUTLINED IN THIS PAPER ENDORSE COMPLIANCE WITH THE REGULATORY OR GOVERNANCE REQUIREMENTS LISTED	-
THE PROPOSALS OR ARRANGEMENTS OUTLINED IN THIS PAPER TAKE ACCOUNT OF REQUIREMENTS IN RESPECT OF EQUALITY & DIVERSITY	-
ACTION REQUIRED BY THE BOARD	<p>The Trust Board is asked to:</p> <ul style="list-style-type: none"> Note the results of the self-assessment exercise performed by the Audit, Risk and Governance Committee in January 2018.

HFMA NHS Audit Committee Handbook, 2014 – Self Assessment Checklist

Audit, Risk and Governance Committee Self Assessment Review

11th January 2018

Area / Question	Yes	No	Comments/Action
Composition, establishment and duties			
Does the audit committee have written terms of reference that adequately define the committee's role in accordance with relevant guidance (for example from the Department of Health; NHS England; NHS Trust Development Authority or Monitor)?	√		Latest version freely available on the Trust intranet.
Have the terms of reference been adopted by the governing body?	√		Last approved by the Trust Board in August 2017. ToR updated to reflect extended remit of existing Audit Committee for responsibilities transferred from the former Trust Governance and Assurance Committee. Audit Committee now called the Audit, Risk and Governance Committee (ARG).
Are the terms of reference reviewed annually to take into account governance developments and the remit of other committees within the organisation?	√		Part of the Committee's annual work plan. Last updated by the Committee in August 2017.
Are committee members independent of the management team?	√		The Committee's membership comprises 3 Non-Executive Directors.
Are the outcomes of each meeting; the actions taken and the committee's view on the organisation's systems of internal control reported to the next governing body meeting?	√		Minutes and highlight reports submitted to Trust Board. Chair of ARG Committee presents highlight report at TB (as do all other sub-committee Chairs).
Does the committee prepare an annual report on its work and performance in the preceding year for consideration by the governing body?	√		Annual report also submitted to the CoG for information.
Does the committee assess its own effectiveness periodically?	√		Annually – last review took place in January 2017.
Has the committee established a plan of matters to be dealt with across the year?	√		Formal work plan adopted in 2012, reviewed annually thereafter. Reviewed and approved at August 2017 meeting to update for new ARG Committee responsibilities.
Are committee papers distributed in sufficient time for members to give them due consideration?	√		In line with ToR – 5 working days before each meeting.

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Has the committee been quorate for each meeting this year?	√		There were 7 meetings during 2016/17 and all were quorate. There have been 6 meetings to date during 2017/18 and all have been quorate.
Compliance with the law and regulations governing the NHS			
Does the committee review assurance and regulatory compliance reporting processes?	√		Through minutes from other sub-committees. As from April 2017 the Committee has received a quarterly report on the Strategic Risk Register and BAF for oversight and scrutiny purposes.
Does the committee have a mechanism to keep it aware of topical, legal and regulatory issues?	√		Both internal /external audit provide technical updates around significant issues at each meeting as necessary. Members attend external workshops and briefings to supplement this.
Internal control and risk management			
Has the committee formally considered how it integrates with other committees that are reviewing risk – for example, risk management, quality and clinical governance committees?	√		Cross committee membership between Audit Committee and Trust Governance and Assurance Committee (TGAC) existed until TGAC was disbanded in 2017 and certain of its functions transferred to the newly named ARG Committee. Members also attend other Board sub-committee meetings on an ad-hoc basis even when not formal members. Minutes of other sub-committee meetings submitted to the ARG Committee for information.
Has the committee reviewed the robustness and effectiveness of the content of the organisation's assurance framework?	√		Through internal audit annual review. The Committee also now routinely receives the BAF and Strategic Risk Register report.
Has the committee reviewed the robustness and content of the draft annual governance statement before it is presented to the governing body?	√		ARG Committee minutes will evidence this.
Is the committee's role in reviewing and recommending to the governing body the annual report and accounts clearly defined?	√		Contained with ToR.
Does the committee consider the external auditor's report to those charged with governance including proposed adjustments to the accounts?	√		ARG Committee minutes will evidence this.

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Internal audit			
Is there a formal 'charter' or terms of reference, defining internal audit's objectives, responsibilities and reporting lines?	√		Formal terms of engagement document. This was supplemented with a formal IA charter document from April 2015 which was last refreshed in 2016.
Does the committee review and approve the internal audit plan at the beginning of the financial year?	√		Annual and strategic plans are approved prior to the beginning of each financial year.
Does the committee approve any material changes to the plan?	√		Through IA progress reporting to each meeting.
Is the committee confident that the audit plan is derived from a clear risk assessment process that links closely to the assurance framework?	√		ARG Committee members and Executive Team participate in annual workshop event to identify risks and discuss inclusion in audit plan. Most recent workshop on 11 January 2018 (previously 6 January 2017).
Does the committee receive periodic progress reports from the Head of Internal Audit?	√		At each meeting.
Does the committee effectively monitor the implementation of management actions arising from internal audit reports?	√		Since July 2015 IA recommendations are followed up internally and reported to the ARG Committee at each meeting. IA review the in-house process and check evidence of closed high and medium rated recommendations.
Does the Head of Internal Audit have a right of access to the committee and its Chair at any time?	√		Specifically referred to in ToR.
Is the committee confident that internal audit is free of any scope restrictions and, if not, has it considered the impact of these on the annual Head of Internal Audit opinion?	√		Could be raised at private meeting with Internal Audit before each Committee meeting or during Committee meetings if such an issue arose.
Is the committee confident that internal audit is free from any operational responsibilities or conflicts of interest that could impair its objectivity?	√		IA provider required to declare any such issues to the Committee.
Does the committee hold periodic private discussions with the Head of Internal Audit?	√		Prior to the start of each meeting (as for external audit).
Has the committee evaluated whether internal audit complies with the <i>Public Sector Internal Audit Standards</i> ?	√		Current internal auditors (KPMG) have confirmed that although they do not have a regular independent review process they do however have rigorous controls in place to ensure compliance. A KPMG audit

Area / Question	Yes	No	Comments/Action
			was selected for review in 2016 at national level and no issues of concern were raised.
Has the committee agreed a range of internal audit performance measures to be reported on a routine basis?	√		KPIs form part of routine progress reports to the Committee from internal audit. Annual survey of auditees identifies satisfaction, or otherwise, with IA service. On-going assessment by exception.
Does the committee receive and review the Head of Internal Audit's annual opinion?	√		ARG Committee minutes will evidence this.
External audit			
Do the external auditors present their audit plans and strategy to the committee for agreement and approval?	√		ARG Committee minutes will evidence this. Most recently done at December 2017.
Does the committee receive and monitor actions taken relating to prior years' reviews?	√		ARG Committee minutes will evidence this.
Does the committee review the external auditor's ISA 260 report (the report to those charged with governance)?	√		ARG Committee minutes will evidence this.
Does the committee review the external auditor's value for money conclusion?	√		ARG Committee minutes will evidence this.
Does the committee review the external auditor's opinion on the quality account when necessary	√		ARG Committee minutes will evidence this.
[Note: this question is not relevant for CCGs]			
Does the committee hold periodic private discussions with the external auditors?	√		Prior to the start of each meeting (as for internal audit).
Does the committee assess the performance of external audit?	√		On-going assessment by exception.
Does the committee require assurance from external audit about its policies for ensuring independence?	√		Formal confirmation in audit strategy/fee documentation.
Has the committee approved a policy to govern the nature and value of non-audit work carried out by the external auditors?	√		Policy for Engagement of External Auditors on Non-Audit Work devised and approved for implementation in February 2015 and subject to annual review thereafter. Revised in April 2017 to reflect new NAO guidance on this area.
Does the committee receive information on all non-audit work undertaken by external audit?	√		As part of Policy for the Engagement of External Auditors for Non-Audit Work Policy process as they arise.

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			Included in the annual ISA260 report from the External Auditor. Value of non-audit work is also identified separately in the annual accounts.
Does the committee review the proportion of audit and non-audit work every time the external auditors change?	√		Not a specific question included in the tender documents, but the Committee does have access to this information as per answer above.
Clinical audit [Note: this section is only relevant for providers]			
Is the committee clear about where clinical audit assurances are received and monitored?	√		Through Q&S (formerly QPEC) and IPCC. Minutes from Q&S are routinely submitted to the ARG Committee for information. There is also cross committee membership/attendance.
If the committee is NOT the main committee receiving direct feedback from clinical audit, does it receive a report from the relevant committee on the progress made by clinical audit during the year along with a clear view on the outcome of the annual work plan?	√		Q&S Committee minutes received.
If the committee receives reports from clinical audit has it: <ul style="list-style-type: none"> Reviewed an annual plan which is clearly linked to clinical risks and clinical assurance needs? Received regular progress reports? Monitored the implementation of management actions resulting from clinical audit reviews? Received a report over the quality assurance processes covered by clinical audit activity? 	N/A	N/A	The Chief Nurse, on behalf of the former Chair of QPEC (now Q&S Committee), has previously confirmed that these matters are addressed by that Committee and that the appropriate reports have been received. The current Chair of Q&S has confirmed that these requirements are to be explicitly established as part of the Q&S Committee's annual work plan so that compliance, or otherwise, can be reported accordingly to the ARG Committee.
Counter (or anti-) fraud and security			
Is the committee aware of NHS Protect requirements in relation to counter fraud and security activity?	√		Yes, in relation to counter fraud (via routine LCFS progress reports and LCFS attendance at Committee meetings). Security issues (dealt with by the Local Security Management Specialist) have never been reported to the Committee and

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			<p>was a new area on the self-assessment checklist in 2014. The Trust's LSMS reports to the Trust's Security Group. This group used to feed into TGAC but since it was disbanded reporting lines have not yet been finalised. The LSMS role has recently moved back under the Director of Estates and Facilities (from 1.12.17) and reporting lines are currently being discussed and agreed. It is anticipated that highlight reports will come to the ARG Committee as and when necessary.</p>
<p>Does the committee review the planned counter fraud and security work at the beginning of the financial year and in particular its scope and coverage?</p>	√		<p>This has always been the case in relation to counter fraud work. Since April 2015 the LSMSs annual work plan has also been submitted to the Committee for information.</p>
<p>Does the committee satisfy itself that the work plan is derived from clear processes based on risk assessments and that coverage is adequate?</p>	√		<p>Counter fraud work plan informed by register of fraud risks, internal audit, NFI, NHS Counter Fraud Authority (NHS CFA) (formerly NHS Protect) intelligence reports, etc. Work plan areas based on national provider standards established by NHS CFA.</p> <p>Oversight and scrutiny of LSMS work plan as per comments above.</p>
<p>Does the committee receive notification of any material changes to the plan?</p>	√		<p>Counter fraud only.</p>
<p>Does the committee receive periodic reports about counter fraud and security activity?</p>	√		<p>Standing agenda item for written counter fraud progress reports from LCFS.</p> <p>The Trust's LSMS reports to the Trust's Security Group. This group used to feed into TGAC but since it was disbanded reporting lines have not yet been finalised. The LSMS role has recently moved back under the Director of Estates and Facilities (from 1.12.17) and reporting lines are currently being discussed and agreed. It is anticipated that highlight reports will come to the ARG Committee as and when necessary.</p>
<p>Does the committee effectively monitor the implementation of management actions arising from</p>	√		<p>Counter fraud only.</p>

Area / Question	Yes	No	Comments/Action
counter fraud and security reports?			
Do those working on counter fraud and security activity have a right of direct access to the committee and its Chair?	√		<p>Contained within ToR in relation to LCFS.</p> <p>The Trust's LSMS reports to the Trust's Security Group. Further reporting lines are currently being reviewed (see earlier details).</p>
Do those working on counter fraud and security activity have the necessary technical knowledge and experience to ensure that work is carried out as it should be?	√		<p>Existing LCFS formally accredited through national NHS Protect training programme before this training ceased to be provided from April 2017.</p> <p>Existing LSMS formally accredited through a private provider accredited through the University of Portsmouth (as NHS Protect also ceased to offer LSMS accreditation training programme).</p> <p>CPD must now be sourced from other providers as NHS Protect ceased to offer CPD training courses from April 2017.</p>
Does the committee receive and review an annual report on counter fraud and security activity?	√		<p>This has always been the case in relation to counter fraud work since 2000.</p> <p>The LSMSs annual report was received by the Committee for the first time at its June 2015 meeting and annually thereafter.</p>
Does the committee receive and discuss reports arising from inspections by NHS Protect in relation to the quality of the counter fraud (and security) provision?	√		<p>In relation to counter fraud work.</p> <p>Inspection outcomes have previously been reported by the LSMS to the Trust's Security Group and the FM Governance Group and also into TGAC and ultimately the Trust Board. It is expected that future inspection results will be reported into the ARG Committee as necessary.</p>
Annual report and accounts and disclosure statements			
Is the committee's role in the approval of the annual report and accounts clearly defined?	√		Under delegated authority from the Trust Board and contained within ToR.
Is a committee meeting scheduled to discuss proposed	√		Prior to submission to NHSI.

Area / Question	Yes	No	Comments/Action
adjustments to the accounts and issues arising from the audit?			
<p>Does the committee specifically review:</p> <ul style="list-style-type: none"> • Changes in accounting policies? • Changes in accounting practice due to changes in accounting standards? • Changes in estimation techniques? • Significant judgements made in preparing the accounts? • Significant adjustments resulting from the audit? • Explanations for any significant variances? 	√		Facilitated as necessary through reports from Finance and discussion at Committee meetings.
Does the committee ensure it receives explanations for any unadjusted errors in the accounts found by the external auditors?	√		Robust discussions involving annual accounts. Letter of Representation includes explanations for areas of non-adjustment.
Does the committee receive and review a draft of the organisation's annual governance statement?	√		
Does the committee receive and review a draft of the organisation's annual report and accounts?	√		Annual Accounts.
Does the committee receive and review the evidence required to demonstrate compliance with regulatory requirements (for example, as set by the Care Quality Commission, Monitor and the NHS Trust Development Authority)?	√		Feedback received through minutes of other committees.
Other issues			
Does the committee provide a summary report of its meetings to the next available governing body meeting?	√		Highlight reports produced for the Trust Board.
<p>Has the committee reviewed its performance in the year for consistency with its:</p> <ul style="list-style-type: none"> • Terms of reference? • Programme for the year? 	√		ARG Committee Chair also produces annual report for the Trust Board detailing key activities/issues in previous year.