

NLG(18)319

DATE OF MEETING	28 th August 2018
REPORT FOR	Trust Board of Directors – Public
REPORT FROM	Marcus Hassall, Director of Finance
CONTACT OFFICER	Helen Kemp-Taylor – Head of Internal Audit (Audit Yorkshire) Tom Watson – Audit Manager (Audit Yorkshire)
SUBJECT	Draft Internal Audit Plan 2018/19
BACKGROUND DOCUMENT (IF ANY)	-
PURPOSE OF THE REPORT:	For Information
EXECUTIVE SUMMARY (PLEASE INCLUDE: A SUMMARY OF THE REPORT, KEY POINTS & / OR ANY RISKS WHICH NEED TO BE BROUGHT TO THE ATTENTION OF THE TRUST BOARD AND ANY MITIGATING ACTIONS, WHERE APPROPRIATE)	<p>The draft Internal Audit Plan for 2018/19 has been compiled by Audit Yorkshire (the Trust's new Internal Auditors) following discussions with Executive Directors, the Chief Executive and the Chair of the Audit, Risk and Governance Committee.</p> <p>The draft plan was also reviewed and discussed at the Audit, Risk and Governance Committee on the 26th July 2018 and at TMB on the 6th August 2018.</p>
TRUST BOARD ACTION REQUIRED	The Board is asked to note the contents of the draft Internal Audit Plan 2018/19.

**INTERNAL AUDIT STRATEGIC PLAN
2018 / 19 TO 2020 / 21 and
OPERATIONAL PLAN FOR 2018 / 2019
(DRAFT)**

For

**Northern Lincolnshire and Goole NHS
Foundation Trust**



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1. Focus of Internal Audit

Senior management has a duty to minimise the Trust's exposure to risk through the establishment and maintenance of an efficient and effective system of internal control. Internal Audit's primary role, as a service to management and the Board, is to provide an opinion and assurances on the adequacy and effectiveness of the system of internal control.

2. Approach to Audit Planning

A Three Year Strategic Audit plan for the period 2018/2019-2020/21 has been drafted and circulated to members of the Audit, Risk and Governance Committee for approval. The first year of the Strategic Audit Plan forms the Annual Audit Plan for 2018/2019.

The Strategic Audit Plan was formulated following a review of the strategic risks on the Trust's Assurance Framework, discussions with Executive Directors and a review of previous internal audit work. The key points influencing the proposed plan are summarised below.

Audit plans are produced at two levels – strategic and operational. Not every relevant area needs auditing every year, and a strategic plan is produced every three years to accommodate this. It also supports longer term resource planning and helps guide the overall direction of the service.

Audit plans are developed in accordance with Department of Health and Public Sector Internal Audit Standards (PSIAS) guidance. This guidance acknowledges the wider control framework while ensuring financial control remains subject to appropriate coverage. In accordance with the requirements of the Audit Committee Handbook, the plan covers the two key roles of internal audit:

- 1 *The provision of an independent and objective opinion to the Accounting Officer, the Board, and the Audit Committee on the degree to which risk management, control and governance support the achievement of the organisations' agreed objectives.*
- 2 *The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.*

The Annual Plan is structured to meet the mandated requirements and provide the Head of Internal Audit Opinion which will subsequently contribute to the Board's completion of the Annual Governance Statement (AGS). The Opinion may also be taken into account by the Care Quality Commission (CQC) in the conduct of its work under its standards.

The Head of Audit's Opinion currently includes the following components:

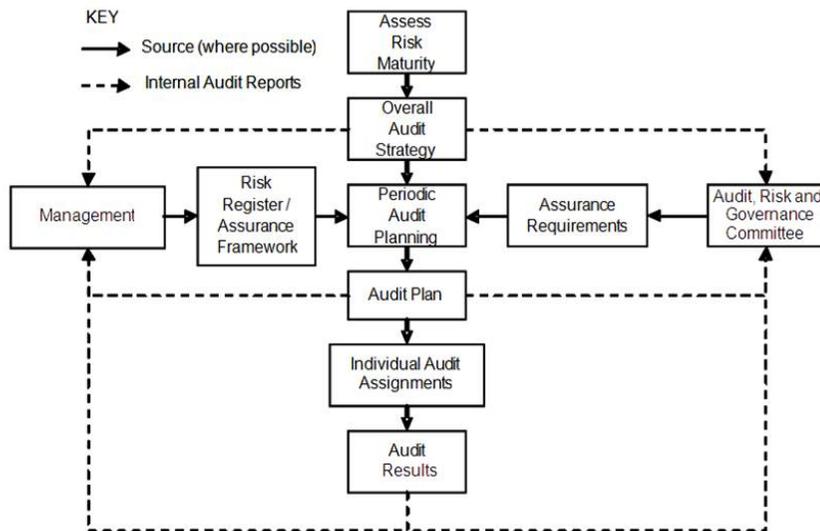
- 1 *An assessment of the design and operation of the underpinning Assurance Framework and supporting processes; and*
- 2 *An assessment of the range of individual opinions arising from risk-based audit assignments, contained within internal audit risk-based plans that have been reported throughout the year. This assessment*



has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.

Our audit plans are based on consideration of the whole internal control system and the magnitude and incidence of the risks that the control system is designed to mitigate. This risk assessment approach is built around discussions and assessments with Trust executives and senior staff and linked to the corporate risk register. Professional judgement is also used in allocating necessary resources to each auditable area, making use – where available – of opportunities for combining related auditable areas within individual audit assignments.

Figure 1 – Details of Audit Yorkshire's Approach to Development of the Plan



The outcome is a plan tailored to the specific needs and risks of the Trust, linking authentically the materiality and level of risk associated with particular areas and their relative priority within the audit plan.

3. Developments for 2018 / 19

The extent of regulation, accreditation and compliance particularly related to quality of service and data security continues to grow, including the new CQC inspection regime commenced in April 2017 and GDPR and new Data Security and Protection toolkit launched in May and April 2018 respectively. Assurance and opinions provided by the rigour and independence of the internal audit process have been found to be useful in this area, both in validating information. It is reflected in particular in continuing commitments to audit compliance with CQC registration requirements/standards and the Trust's self-assessment process against the Data security toolkit.

It emerges more and more pressingly that plans need to be flexible. The planning approach is designed to identify existing and enduring systems and processes within the organisation and aims to recognise all principal risks as stated in the corporate risk register and assurance framework at that point in time. The risk environment will change, so an element of flexibility needs to be maintained in the audit work programme.



Annual reporting requirements continue to develop and change as more detailed performance information is required to be available and used as performance indicators. We propose a programme of work to test the effectiveness of the systems and processes generating the data and the accuracy of the underlying data in key areas to provide assurance on data quality of key mandated indicators.

The plan is flexible and any suggested changes to the programme are formally notified to and approved by the Audit, Risk and Governance Committee. The Trust has an increasing need for that part of the audit service involved in responding to issues as they arise. The audit programme includes a contingency to set aside days to be allocated to meet changes in priority as the year unfolds. The service needs to be able to pick up, review and report on topics rapidly, as they emerge. The Director of Finance will support Internal Audit with the management of this resource, and the Audit, Risk and Governance Committee will approve any additions and amendments to the annual plan.

We will conduct our audits in accordance with the mandatory standards and good practice guidance contained within both the NHS Internal Audit Standards and the Public Sector Internal Audit Standard, which we have adopted in our procedures manual.

4. Assurance Levels

Audit reviews will report on an exception basis, focusing on risks and control issues identified, applying the following definitions:

HIGH	High assurance can be given that there is a strong system of internal control which is designed and operating effectively to ensure that the system's objectives are met.
SIGNIFICANT	Significant assurance can be given that there is a good system of internal control which is designed and operating effectively to ensure that the system's objectives are met and that this is operating in the majority of core areas.
LIMITED	Limited assurance can be given as whilst some elements of the system of internal control are operating, improvements are required in the system's design and/or operation in core areas to effectively meet the system's objectives.
LOW	Low assurance can be given as there is a weak system of internal control and significant improvement is required in its design and/or operation to effectively meet the system's objectives.

5. Plan and Coverage

An annual Internal Audit operational plan is proposed based on the current needs of the Trust, as assessed through the strategic planning work performed this year.

Proposed plan areas have been identified and are indicated on the plan using the following key.

- Mandated as part of the annual opinion 
- Identified during the recent audit risk assessment process 
- Requested by management 
- Relates to the assurance framework or Corporate Risk register **AF**



The key components of the proposed audit plan are as follows:

Corporate Governance and Strategic Management

The Board needs to be assured that the Trust is providing high quality care in a safe environment by well-trained staff, is meeting its strategic objectives and is complying with legal and regulatory requirements. This section of the audit plan focuses on the high-level framework put in place by senior management to regulate and direct the organisation to meet its overarching aims.

The requirement for all NHS Chief Executive Officers to sign an Annual Governance Statement (AGS), as part of the statutory accounts and annual report, heightens the need for Boards to be able to demonstrate that they have been properly informed about the totality of their organisation's risks, both clinical and non-clinical. To do this they need to be able to provide evidence that they have systematically identified their objectives and managed the principal risks to achieving them. Internal Audit will review integrated risk management arrangements to ensure they are properly established and embedded to support the Trust in its preparation of the AGS. Audit assignments have been prioritised accordingly.

Performance

The Board should be confident that it is receiving accurate information about current and expected levels of performance to inform decision making and as reported against targets and standards. The audit programme aims to provide assurance that the trust has in place a framework for management and

accountability of data quality, and appropriate policies and procedures are in place to secure the quality and validity of data it records and uses for reporting

Financial Management and Transaction Systems

Audit standards require that all fundamental financial systems are reviewed annually so that assurance can be given on the effectiveness of control over the transactions entered into by the Trust. In practice, Internal Audit undertakes this work, with reliance being placed upon it by External Audit. We liaise with the Trust's external auditors to ensure that the draft internal audit plan meets their requirements.

Infrastructure

This part of the audit programme focuses on the systems and processes in place to ensure the Trust has a good quality estate, facilities and staff which are fit for purpose.

Operational and VFM reviews

Discussions with senior management around the Trust continue to reveal a wide range of areas in which Internal Audit involvement in operational and VFM areas would be appreciated.

Information Management and Technology (IM&T)

This area is aimed at ensuring that the provision of IM&T is properly planned, controlled and delivered in accordance with the IM&T



strategy, the integrity and security of information and communications systems is assured and, appropriate steps have been taken to protect against major incidents to ensure continuity of operations and recovery of data.

Client Directed Matters Arising In-Year

Time built into the plan to allow Internal Audit to respond quickly and flexibly to matters arising in-year and requests for extensions of scope for planned audits.

Collaborative Work

We have recently agreed third party arrangement with Falanx Cyber Defence to offer industry leading cyber security services to the Trust. We will look to draw on this expertise, at the request of the

Trust, should security architecture and design assurance services be required.

We continue to work with other NHS Internal Audit providers to undertake collaborative audit work and benchmarking, with a separate contingency identified in the plan for this work.

Review Type

As part of the planning process we have considered the level of review required, with either a high level (H), standard (S) or detailed (D) review identified for each audit topic in Appendix A. The level of review will be considered during the audit planning process for each audit to ensure it is appropriate.



6. Audit Plan Summary

The individual reviews to be undertaken during the twelve months to 31 March 2019 are detailed in Appendix A. A summary of internal audit days for this year as a comparison to last year is provided below:

	Budgeted / contracted days for 2018/19
<u>Audit Projects</u>	
Corporate Governance & Strategic Management (<i>inc Assurance Framework, External Reporting</i>)	45
Quality Performance (<i>exc Data Quality</i>)	22
Finance (<i>inc Financial Transaction Systems and Financial Management</i>)	20
Infrastructure (<i>inc Workforce, Risk Management, Applied Learning & Research and Estates & Facilities</i>)	20
IM&T (<i>inc Information Systems and Data Quality</i>)	25
Operational & VFM	28
Management Request/Contingency	25
	<u>185</u>
<u>Other</u>	
Planning and Control	10
Recommendation Follow Up	5
	<u>15</u>
<u>Total Days</u>	<u>200</u>



7. Cost

Audit Yorkshire's day rate for 2018 / 2019 is to be confirmed at the March 2018 meeting of the Audit Yorkshire Board as £320.

The cost of the 2018 / 2019 Internal Audit Operational Plan is therefore 200 days x £320 = £64,000.

8. Action

The Audit, Risk and Governance Committee is asked to approve the 2018/19 Internal Audit Annual Operational Plan.

Helen Kemp Taylor
Head of Internal Audit
July 2018

Tom Watson
Audit Manager
July 2018



Appendix A: Internal Audit Operational Plan 2018 / 2019

Audit Area	Objective	Sponsors	Timing	Days	Type	Key
Corporate Governance & Strategic Management						
Board Assurance Framework (inc Risk Management)	To ensure that the assurance framework and the risk management processes supporting it are fit for purpose and comply with good practice.	Trust Secretary – Wendy Booth	Q2	8	S	📄
Divisional Management and Accountability	To provide assurance that adequate governance arrangements and structures are in place within the operational divisions to effectively deliver objectives, including finance, performance, and quality.	Chief Operating Officer – Shaun Stacey	Q4	15	S	📄
Performance Management Framework	To provide assurance that the Trust's Performance Management Framework is fit for purpose and that adequate arrangements are in place to monitor performance.	Director of Strategy, Planning & Performance - Pam Clipson / Chief Operating Officer – Shaun Stacey	Q3/Q4	12	H	📄 AF
Business Continuity / Emergency Preparedness	To provide assurance over the Trust's Business Continuity arrangements. To ensure clear plans are in place, are communicated to staff and have been sufficiently tested.	Chief Operating Officer – Shaun Stacey	Q3	10	H	📄
Quality Performance						
Compliance with CQC Registration	To ensure that the Trust monitors and maintains compliance with its CQC Registration or review the implementation of the CQC report action plan (due August 18). Exact scope to be confirmed.	Chief Executive – Peter Reading / Trust Secretary – Wendy Booth	Q3 / Q4	5	H	📄
Performance Data Quality – Sickness Reporting	To evaluate performance data for Sickness Reporting against the six dimensions of data quality – accuracy, validity, reliability, timeliness, relevance and completeness.	People & Organisational Effectiveness – Jayne Adamson	Q4	7	S	📄



Audit Area	Objective	Sponsors	Timing	Days	Type	Key
Performance Data Quality – Pressure Ulcers	To evaluate performance data for Pressure Ulcers against the six dimensions of data quality – accuracy, validity, reliability, timeliness, relevance and completeness.	Chief Nurse – Tara Filby	Q4	8	S	
Clinical Audit	High level review and production of benchmarking data.	Acting Medical Director – Kate Wood	TBA	2	H	
Finance						20
Core Financial Controls (GL, Board Reporting, Payroll)	To review systems for control, efficiency and effectiveness. Work will support external audit.	Director of Finance – Marcus Hassall	Q3 / Q4	16	S	
Reference Costing	To provide high level assurance over the accuracy and completeness of reference costing data in line with Department of Health requirements.	Director of Finance – Marcus Hassall	Q1	4	H	
Infrastructure (Estates, Facilities and Workforce)						20
Medical Workforce Planning	Review the effectiveness of medical workforce planning to ensure workforce plans meet the needs of the Trust.	People & Organisational Effectiveness – Jayne Adamson / Acting Medical Director – Kate Wood	Q2	10	S	
Staff Recruitment	To provide assurance that the Trust has appropriate and effective processes in place to recruit new staff. Follow Up report from 2017/18.	People & Organisational Effectiveness – Jayne Adamson	Q3	10	S	
IM&T						25
Data Security and Protection Toolkit	To review the Trust self-assessment against the new toolkit framework for 18/19.	Director of Strategy, Planning & Performance - Pam Clipson	Q4	10	D	



Audit Area	Objective	Sponsors	Timing	Days	Type	Key
GDPR Compliance	To provide assurance that the Trust is compliant with the new Data Protection Regulation and any gaps have been identified and plans are in place to remedy.	Director of Strategy, Planning & Performance - Pam Clipson	Q3	8	D	
Cyber Security	Audit subject to conversation with Pam Clipson.	Director of Strategy, Planning & Performance - Pam Clipson	TBA	7	S	
Operational / VFM						28
Activity Planning	To review the activity planning process to ensure plans are realistic and are being adequately monitored. Scope to include activity reporting to the Board.	Chief Operating Officer – Shaun Stacey	Q3	10	H	
Waiting List Management	To provide assurance on the waiting list management process at the Trust. The review will include process for ensuring urgent patients are managed and consider inconsistency in waits between specialities and how this is managed.	Chief Operating Officer – Shaun Stacey	Q2	10	S	
Incident Management (inc Lessons Learned)	The objective of this review is to gain assurance that robust management arrangements are in place for incidents and that lessons are learned and disseminated throughout the Trust.	Acting Medical Director – Kate Wood	Q4	8	D	
Client Directed Matters arising in-year						25
Total						185

Key

Audit Source	
• Mandated as part of the annual opinion	
• Identified during the recent audit risk assessment process	
• Requested by management	



<ul style="list-style-type: none">• Relates to the assurance framework or Corporate Risk register	AF
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Appendix B: Internal Audit Strategic Plan 2018 / 19 – 2020 / 21

Area	Audit	Priority	2018/19	2019/20	2020/21
Corp Gov	Board Assurance Framework & Risk Man	Mandatory	X	X	X
	Strategic Management Framework	H			X
	Divisional Management and Accountability	H	X		
	Performance Management Framework	H	X		
	Business Cases	H		X	
	Procurement (Compliance with SO's and SFI's)	H		X	X
	STP Governance	M			X
	Committee Structure and Effectiveness	H		X	
	Whistleblowing	M		X	
	Limited Assurance Follow Up	H			X
				45	45
IM&T	Data Security and Protection Toolkit (inc GDPR)	Mandatory	X	X	X
	GDPR Compliance	H	X		
	Cyber Security / IT Security	H	X	X	
	IT Business Continuity	H			X
	Cloud Storage	M		X	
	Patient Administration System	H			X
	Records Management / EPR	H		X	
				25	25
Quality Performance	CQC Registration / Improving Together	H	X	X	X
	Data Quality Sickness Reporting	M	X		
	Data Quality Pressure Ulcers	M	X		
	Data Quality Mandated Indicators	H		X	X



	Mortality	H			X
	Clinical Audit	M	X		
			22	20	22
Finance	Core Financial Controls (GL, Board Reporting)	Supports EA	X	X	X
	Payroll	Supports EA	X		
	Non-Pay	Supports EA		X	
	Debtors	Supports EA			X
	Financial Recovery Plan	H			X
	Reference Costing	M	X	X	X
	Cost Improvement Plans	H			X
	Quality Impact Assessments	H		X	
			20	30	33
Infrastructure	Staff Recruitment and Retention	H	X		
	Use of Agency Staff	H		X	
	Utilisation of Doctors Accommodation	M		X	
	Workforce Planning	H	X		
	Organisational Culture	H			X
	Staff Engagement	H			X
	Complaint Management	H		X	
	Incident Management	H	X		
	Estates Repair and Maintenance Infrastructure	H			X
	Medical Staff Job Planning	H		X	
			20	30	25
Operational / VFM	Activity Planning	H	X		
	Mandatory and Essential Skills Training	M			X



	Medicines Management	M		X	
	Infection Control – Antibiotic Prescribing	M			X
	Waiting List Management	H	X		
	Appraisals and PDR	M		X	X
			28	20	20
	Client Directed		25	15	15
	Total		185	185	185

