

Meeting:	Board of Directors	Date:	4 January 2018
Title:	Chair of Audit, Risk & Assurance Committee Report – January 2018		

Summary of paper:	<p>This paper summarises key issues considered by the Audit, Risk & Assurance Committee at its meeting held on 16 November 2017 which it is considered should be drawn to the attention of the Board.</p> <p>The purpose of this report is to provide an account of what happened at the committee meeting and also to provide an independent opinion to the Board where there are any nuances of view on any particular issue.</p>
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Consultation / other committee views:	None
Assurances:	None

Recommendations/decisions required:	that the report be received.
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Link to Trust Priorities	Link to Quality
<ul style="list-style-type: none"> (1) We will make the patient the centre of everything we do. (2) We will work smarter not harder to make best use of existing resource. (3) We will innovate and identify new ways of working. (4) We will build capacity and capability by investing in our staff, infrastructure and partnerships. 	<ul style="list-style-type: none"> (1) Well led (staff survey, staffing levels, sickness rates, flu vaccinations rates, board/ward interactions, staff reports, governance and reporting, risk management, financial control).

Risk issues:	Risk Register Ref No:	Risk Score:
Resource Implications: Expenditure / Income net value	Regulations and legal considerations:	Quality consideration and impact on patient and carers:
n/a	n/a	n/a

Report Sign Off:		
Financial	Operational	HR
n/a	n/a	n/a

Confidentiality
This report does not contain any confidential information.

Equality Impact Assessment
Great Western Hospitals NHS Foundation wants its services and opportunities to be as accessible as possible, to as many people as possible, at the first attempt.
This report has been assessed against the Trust's Equality Impact Assessment Tool and there are no proposals or matters which affect any persons with protected characteristics.

Non-Executive Director:	Julie Soutter	Title:	Chair of the Audit, Risk & Assurance Committee
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1. Introduction

This paper summarises key issues considered by the Audit, Risk & Assurance Committee at its meeting held on 16 November 2017 which is considered should be drawn to the attention of the Board. The purpose of this report is to provide an account of what happened at the committee meeting and also to provide an independent opinion to the Board where there are any nuances of view on any particular issue.

This is in advance of the minutes of the Committee being presented to the Board at the next meeting and in addition to any verbal update of the committee meeting provided to the Board later on the agenda. Set out below is a summary of the main issues.

2. Audit, Risk & Assurance Committee purpose and objectives

The Audit, Risk and Assurance Committee provides the Board with a means of independent and objective review of financial and corporate governance, assurance processes and risk management across the whole of the Trust's activities both generally and in support of the annual governance statement. In addition, this Committee provides assurance of independence for external and internal audit; ensures that appropriate standards are set and compliance with them monitored, and monitors corporate governance (e.g. compliance with terms of authorisation, Constitution, Codes of Conduct, Standing Orders, Standing Financial Instructions, maintenance of registers of interest).

3. Chairman's Overview of the Audit, Risk & Assurance Committee on matters considered by that Committee

(a) Divisional Risk Register – Diagnostics & Outpatients

The Divisional Director attended to present the key headlines and risk governance processes for the Diagnostics & Outpatients Division risk register. The Committee noted that at 1 November 2017 there were 63 risks on the register, of which 6 risks scored at 15 and above. No risks were overdue for managers' review, no actions were overdue for update or closure, and the main group for risks related to safety.

The D&O Division has a robust Standard Operating Procedure in place (SOP) for the identification, monitoring and assessment of higher level risks (12+) and to ensure that controls and gaps are clearly recorded. A second SOP for lower level risks has also been implemented at departmental level to be followed by managers through their governance processes. The Divisional process has been amended to reflect recommendations from the Deloitte review in 2016. Risks are discussed through the Division's meeting governance route to ensure that controls and actions are challenged to ensure that the risks are appropriately described and scored.

The Committee was assured by the robust governance processes that had been implemented to enhance risk management in the D&O Division and that this work is also reflected in the Board Assurance Framework. Ideas for corporate risk mitigations are also shared with other Divisions to ensure greater assurance around controls and this was welcomed by the Committee.

(b) 15+ Risk Register – Strategic Risks / Board Assurance Framework

The Committee considered the 15+ Risk Register, noting the top risks to the Trust. The Committee was assured that satisfactory processes and systems are in place for the systematic management of risk within the organisation, and that the risk escalation framework supported effective management. The report also included additional analysis of the full risk register which provided an overview of risk management within the divisions.

The main cause for 15+ risks was staffing levels and that the main risk theme was safety. The Committee recognised that work is continuing to ensure that good risk management is embedded across the organisation. Overdue risk reviews/actions were also discussed and how reporting to the Committee can be improved, to include risk type analysis on risks where the score is increasing.

A risk management workshop is to be arranged following with KPIs to be developed with BDO to support further the embedding of the framework and culture.

In addition, the Committee reviewed the Board Assurance Framework (BAF) and was assured that the risks to the Trust achieving its strategic objectives are identified promptly and that control measures are in place to mitigate those risks. It was noted that the areas of highest concern continue to be the inability to manage demand, recruitment (and retention) leading to high agency spend, availability of cash and CIPs delivery 2017/18.

The Committee discussed the need for the BAF to reflect the importance of assurance on supporting infrastructure i.e. estates, IT and equipment and it was agreed that a mechanism for resilience and evidence to support this risk for the next quarter be developed. The level of assurance on the management of financial risks regarding the structural deficit was also discussed.

(c) Risk Tolerance Statement

The Committee undertook the annual review of the Risk Tolerance Statement to recommend whether the statement was still reflective of the organisational appetite for risk. The views of the Executive Directors had been sought and that the appetite for organisation risk (financial / value for money) be changed to “low” with a risk tolerance level of “minimal” (currently “moderate” and “cautious”) in view of the Trust’s current financial position and the recent launch of a financial recovery plan. It was agreed that an updated statement be recommended to the Board for approval.

BDO Internal Auditors welcomed the creation and use of a risk tolerance statement by the Board; noting that this Trust was an exemplar amongst their NHS clients in the use of a Board approved risk tolerance statement and proactive continuous development of risk management.

(d) External Audit progress report and technical update

The External Auditors presented a technical update that identifies issues the Trust might wish to consider and any potential impact on the Trust. This included Cyber Security and the Gender Pay Gap matters and these would be cross-referenced to the Performance, People & Place and Quality & Governance Committees for follow up.

Updated guidance to the allocation of the Sustainability and Transformation Fund was also noted and the Director of Finance confirmed that she was aware of the steps required to meet future eligibility criteria.

(e) Internal Audit Progress Report 2017/18 / Follow-Up Report

The Committee received a progress report of the work by the Internal Auditors (BDO) to deliver the internal audit plan 2017/18 and requested amendments to this plan were discussed.

Internal Audit reports on Medicine Management (Limited Assurance) and Equipment Management (Moderate Assurance) had also been received and the summary of key findings, recommendations and agreed action plans were noted. The Committee was assured that there had been positive responses to both reports, with good controls now in place and actions already underway.

The Committee was pleased to note that the 48 recommendations from the 2016/17 internal audit reports raised by the Trust’s previous internal auditors, TIAA, had now been completed.

(f) Counter Fraud

A summary of the proactive and investigative work undertaken by Local Counter Fraud Services was received, noting that there had been no referrals received to date. Training had now been provided to the Finance and Human Resources Departments on pre-employment checks, together with the right to work and/or remain increasing in importance. A further bespoke workshop on procurement is also planned.

A briefing note on the Managing the Risk of Employment Agency Fraud was also received. The purpose of the paper informed on the risks around pre-employment checks and invoicing associated with the use of agency staff.

(g) Combined Costs Collection 2016/17 : Assurance and improvement around cost data

A paper provided an update of the combined costs collection assurance process for 2016/17 and submission on 1 August, overview of the national direction for costing within the NHS, update on actions following the 2014/15 reference cost assurance audit, and progress on costing within the Trust, highlighting risks and the process of engagement and continuous improvement.

Service line reporting continues to be implemented into the organisation, with positive impact on understanding the data and identifying more robust methodologies for improving cost allocation and ensures patient facing and support costs allocated accurately reflect the services being provided.

(h) Budget Setting Process 2018/19

The Committee received a paper which set out the timescales and process associated with budget setting for the Trust for 2018/19.

The budget setting process had commenced in order to ensure that correct controls would be applied and authorisations obtained prior to submitting any revised plan as well as ensuring that the financial budgets reflect the Trust's Operational Plan and the contractual position with Commissioners. The Director of Finance assured the Committee that the process is progressing as planned and that Corporate teams are engaged with the process to enable the timetable to be met.

Significant changes regarding the WH&C presentation and facilities management etc and would require consideration to be given on how these would be reported, including the cash and balance sheet.

(i) Conflict of Interest

The Committee noted an update report on the progress of implementing the guidance and embedding its requirements into the organisation, including to publish a register of potential conflicts of interests for all decision making staff and all medical consultants. To date, 40% of staff are compliant with the legislation and an action plan is in place to embed the guidance further, working with HR and consultant leads to progress this.

(j) Losses and Compensation

The losses and compensation payments schedule for Q2 was received, which covered debt write offs, ex gratia payments, and compensation for loss of equipment and cash. It was reported that a review of overseas visitors' debts had been undertaken and that all collection efforts had been exhausted. The Committee noted the proposal to write off aged outstanding debt that was not recoverable.