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Meeting:	Brighton and Sussex University Hospitals NHS Trust Board of Directors
Date:	30th June 2016
Board Sponsor:	Chair, Audit Committee
Paper Author:	Chair, Audit Committee
Subject:	Report from the Audit Committee, 27th May 2016

Executive summary

The Audit Committee meeting on 27th May focused on the audit results report from the Director, External Audit; presentation of the Annual Accounts by the Chief Financial Officer; and the Head of Internal Audit Opinion.

Action required by the Board

The Board is asked to note the report.

Links to corporate objectives	The report concerns the objective of <i>high productivity</i>
Identified risks and risk management actions	The key risks discussed at the Committee concerned the financial performance and sustainability of the Trust; the significant and control issues identified in the Annual Governance Statement; and the weaknesses reported by internal audit in respect of data quality, cost improvement plans, consultant work-plans and theatre utilisation
Resource implications	None applicable to this report
Report history	None
Appendices	None

Report to the Board of Directors, 30th June 2016 Report from the Chair of the Audit Committee

Introduction

The Audit Committee meeting on 27th May was my first as Chair of the Audit Committee and focused on the audit results report from the Director, External Audit; presentation of the Annual Accounts by the Chief Financial Officer; and the Head of Internal Audit Opinion.

Audit Results Report

The Director External Audit introduced the audit results report advising the Committee, in particular, that there remained material differences with counter parties regarding the NHS Agreement of Balances exercise. The net position amounted to £12.7m, with a risk to income of £6m taking account of the provision against income included in the accounts. At the time of the Committee meeting, external audit was considering the sufficiency of the evidence available to support the Trust position and further evidence would be provided where necessary. The Chief Financial Officer advised that additional evidence had been submitted as requested, and the Trust considered that its position was well supported by the evidence.

The audit report had also concluded that there was scope to improve the Trust's processes and arrangements in respect of the Agreement of Balances exercise, and a recommendation was made in this regard for management to act on.

External audit also advised the Committee that as the Trust was reporting an adjusted retained deficit of £44.8m at year-end and breaching its statutory duty to break even a qualified value for money conclusion would be issued, in that the Trust had not put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. A section 30 referral under the Local Audit and Accountability Act 2014 would also be made to the Secretary of State.

The Committee discussed whether sufficient progress had been made on the recommendations arising from the 2014/15 audit, and notwithstanding the challenging national financial position, it was accepted that in some areas, more progress could have been made.

The Committee noted that would continue to work with the auditor to resolve the remaining differences prior to the required submission date of 2nd June

Annual Accounts

The Chief Financial Officer advised the Committee that the Trust was reporting an adjusted retained deficit of £44.8m in 2015/16, driven by expenditure. The Committee was advised that two valuation exercises of the Trust had been carried out in 2015/16, with the overall impact being a decrease in value of £20m. This related to the reduced asset lives for a number of the buildings which will be replaced with the 3T's new build. The Chief Financial Officer also advised the Committee of the difficult cash position arising from the deficit, which had been supported by loans from the Department of Health, and with its partner, McKinsey was working to develop a sustainable financial position, through the Financial Improvement Programme.

Annual Report

The Committee discussed the draft Annual Report. The Chair noted the discussion regarding the Annual Accounts and the need for a clearer description of the reasons for the financial deficit, together with the context and scale of the financial challenge facing the Trust.

The Director of Corporate Affairs noted the significant and control issues described in the Annual Governance Statement in respect of performance and delivery of the financial plan; and Never Events and statutory and mandatory training; also advising the Committee that the section 30 external audit referral and value for money qualified conclusion were incorporated in the final statement.

The Committee agreed that the Annual Report would be amended as discussed at the Committee and considered with the Annual Accounts at the Board on 31st May prior to submission on 2nd June.

Internal Audit Annual Report

The Director, Internal Audit, , advised the Committee that the overall internal audit opinion was that the Trust's systems of governance, risk management and control were appropriately designed and operated except in the areas of data quality, cost improvement plans, consultant work-plans and theatre utilisation where some key weaknesses were identified.

The Committee challenged the opinion and whether it was consistent with the position described in the Annual Report and Annual Accounts and the Director, Internal Audit noted that significant gaps had been found in the reviews of cost improvement plans, consultant work-plans and theatre utilisation, in particular, which were consistent with and helped to explain the Trust financial position.

The Committee agreed that the internal audit plan and priorities would need to be reviewed in the context of the Financial Improvement Plan and the CQC inspection report and any regulatory action taken by CQC and required of the Trust. This might require an additional meeting of the Committee.

The Committee welcomed the quality of the reviews undertaken by internal audit in the past year. The following reviews were also discussed at the Committee,

Payroll Review Summary

The payroll review assessed that the Trust system of internal control for the payroll system was Green.

3Ts Review

the Trust's system of governance and assurance arrangements for the 3Ts project was Amber. In particular, the report noted inconsistent senior representation and clinical engagement at the 3Ts Programme Board, and the need, at an agreed point, to review the role of the Trust cost advisers to ensure ongoing independence. The Committee asked specifically for the report to be drawn to the attention of the 3Ts Programme Board.

Consultant Work-plans Review

The Consultant work plans review assessed the Trust's arrangements around Consultant work plans and its contributions to meeting the Trust's objectives as Amber. The Committee was advised that the review had identified a number of high priority recommendations; there was limited connection between job planning and the delivery of the Trust objectives; job planning was centred around personal objectives, and was often found to be adversarial in practice.

Electronic Patient Record Review

The EPR review assessed the Trust's EPR programme and project management methodologies as Amber. The Committee was advised, in particular, of the ongoing revisions downwards to the benefits realisation deriving from the Programme. The Committee agreed the importance of the Trust deciding whether or not to proceed with the EPR Programme.

Theatre Utilisation Review

The theatre utilisation review assessed the Trust's operating theatre effectiveness as Amber. The report found that the Trust continued to struggle to utilise its operating theatres in the most productive manner, with high rates of dropped sessions; capacity issues arising from poor patient flows at the Royal County Hospital, with the frequent cancellation of elective sessions by consultants; and theatres at Princess Royal Hospital being under-utilised for elective work. The Theatre Utilisation Group, although now in place, had limited effectiveness. The Committee noted that the report highlighted many of broader issues facing the Trust which would need to be addressed through the transformation plans

Pharm@sea

the Pharm@sea review assessed the Trust's system of internal control for Pharm@sea as Amber. The report recommended in particular, the need for separate processes for owner and contract management and improved reporting on performance to the Trust.

Local Counter Fraud Specialist Annual Report 2015/16

The Local Counter Fraud Specialist introduced the Annual Report 2015/16 advising the Committee that NHS Protect required organisations to provide an annual statement of assurance against the standard commissioning contract. The self-review against the NHS Protect Standards was assessed as green.

The LCFS advised the Committee in particular on the effective work undertaken with the approval and implementation of the new Declaration of Interests Policy, and the positive response from Trust staff to the Policy. The LCFS also advised the Committee on the criminal, disciplinary and regulatory sanctions which had been applied in relation to the reactive cases described in the report.

Martin Sinclair
Chair, Audit Committee
June 2016