Welcome to

The Effective Audit Committee

2 April 2019
The Holiday Inn

Housekeeping

- Fire alarms – test at midday
- Toilets
- Tea/Coffee
- Lunch
- Mobile Phones
- Evaluation Forms
- Overview of the Day

Overview

Agendas on the tables with timings.

Also in your pack are speaker biographies.

John Bullivant

Lisa Robertson

Mike Newbury

Tim Thomas

What did you have for breakfast this morning?

1 Toast

13.6%

2 Cereal

50.0%

3 Fruit

9.1%

4 The bacon roll provided here

13.6%

5 Nothing, I was too excited about getting to this event

13.6%

How did Moses lead the animals on to the ark?

1 Following a meaningful vote

4%

2 Two by Two

57%

3 He didn't

39%

4 Alphabetically

0%

What do you think the final outcome of Brexit will be?

1 Leaving without a withdrawal deal on April 12th

4%

2 Agreeing Theresa May's withdrawal deal before April 12th, to leave on May 22nd

0%

3 Getting a long extension to negotiate a completely new withdrawal deal

22%

4 Aborting the whole thing (revoking article 50 and remaining) (either before April 12th or as a consequence of a referendum)

9%

5 Past caring

65%

Enjoy the day!

Audit Committees: Issues and Maturity

April 2nd 2019

Dr John Bullivant, FCQI
Chairman of Advisory Board
into future of public sector governance

Good Governance Institute

Audits Committees: Issues

Usual Cycle of Business

- Financial reporting
- Holistic Risk Management & scheme of delegation
- Compliance with statutory and local requirements incl Audit Guidance Statements (AGSs)

Plus

- Mergers, acquisitions and disposals
- Continuity of supply of goods, services and staff
- Integrated Care systems
- Novel contracts.
- Public and statutory reporting
- Cyber threats

Audits Committees: Maturity

- Comprehensive scheme of delegation
- Mergers, acquisitions, disposals and changes
- Continuity of supply of goods, services and staff
- Integrated Care systems
- Novel contracts
- Public and statutory reporting
- Cyber threats
- Assurance Mapping

Departments listed by Area

Area 1

Level 3	Eye Clinic
	Eye Ward (Ward 6)
	Oral & Maxillofacial Surgery
	Orthoptic Department
Level 2	Cardiology
	Fracture Clinic
	Macmillan Info Point
	Main Outpatients Reception
	Main X-Ray
	Pharmacy
	Speech & Language Therapy
	Tea Bar & Refreshments
	Theatres 3 & 4
	Ultrasound Scan
	Urology Investigations Unit

Area 2

Area 3
Edith Watson Unit

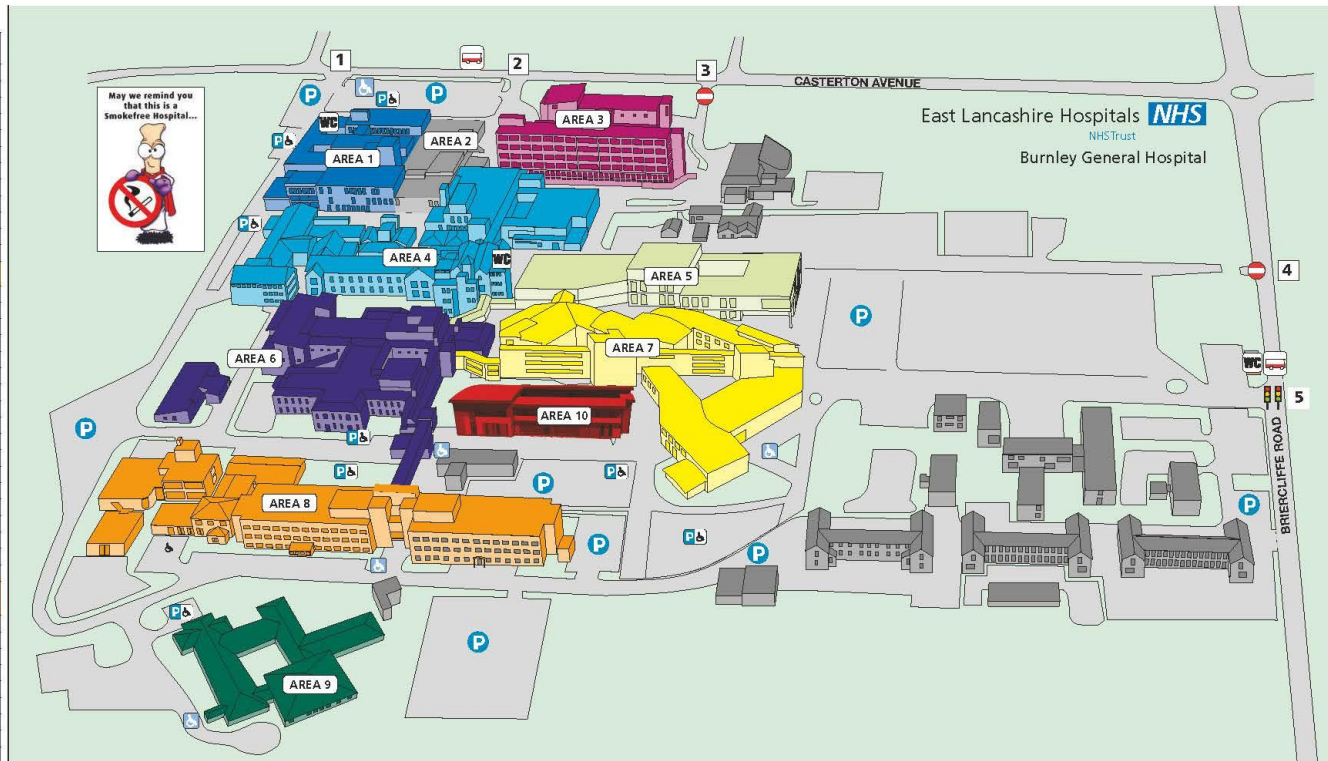|	
Level 6	Jackson Offices
Level 4	Family Care Divisional HQ
Level 3	Children's Outpatients
	East Lancs Breast Screening Service
	ELCAS Administration Office
Level 2	ELCAS (East Lancs Child & Adolescent Service)
	Estates Department
	Pain Management Service
Level 1	Domestic Services
	Mortuary

Area 4

Level 2	Restaurant
Level 1	Chemotherapy
	Haematology
	Hydrotherapy
	Multi Faith Rooms
	Physiotherapy
	Theatres 1 & 2

Area 5
Lancs Women & Newborn Centre

Level 2	Ante-Natal Day Case & Triage
	Ante-Natal Ward
	Birth Centre
	Breast Care Ward
	Central Birth Suite
	Gynaecology Daycase Unit
	Gynaecology Ward
	Maternity Ward - Ante-Natal
Level 1	Ante-Natal Clinic
	Gynaecology Outpatients
	Maternity Ward - Post-Natal
	NICU
	Ultrasound Scan - LWNC
	Women's Health Theatre Department

Area 6
Wilson Hey Unit

Level 1	Anaesthetic Department
	Theatres 5 to 11
	Wards 27 & 28
	Ward 28 Post-Op HDU
Level 0	Daycase Reception
	Daycase Theatre
	Endoscopy
	Pathology Blood Sciences
	Wards 23 & 24
	Maple House

Area 7

Level 3	Wards 15 & 16
Level 2	GAU (Gynae Assessment Unit)
	EPU (Early Pregnancy Unit)
Level 1	Cardiac Rehabilitation
	Occupational Therapy (OT)
	Rehabilitation Department
	Rainbow Centre
Level 0	Dermatology
	Diabetes Clinic
	Outpatients Reception Area 7
	POAU (Pre-Op Assessment Unit)
	Renal Dialysis Unit
	Respiratory Department
	X-Ray Area 7
	W.H.Smith & Cafe

Area 8
Victoria Wing

Level 1	Wards 21 & 22
Level 0	Wards 19 & 20
Level B1	Mackenzie Library
	Mackenzie Centre
	PICU
	Training & Development Centre
	Ward 18

Area 9

	Rakehead Rehabilitation Centre

Area 10

Level 0	Children's Minor Illness Unit - CMIU
	111 GP Out of Hours
	Urgent Care Centre - UCC

East Lancashire Hospitals **NHS**
NHS Trust
Burnley General Hospital

May we remind you that this is a Smokefree Hospital…

CASTERTON AVENUE
BRIERCLIFFE ROAD

AREA 1, AREA 2, AREA 3, AREA 4, AREA 5, AREA 6, AREA 7, AREA 8, AREA 9, AREA 10

Departments listed Alphabetically

Department	Area	Level
Anaesthetic Department	6	1
Ante-Natal Clinic	5	1
Ante-Natal Day Case & Triage	5	2
Ante-Natal Scan	5	1
Ante-Natal Ward	5	2
Birth Centre	5	2
Breast Care Ward	5	2
Cardiac Rehabilitation	7	1
Cardiology	1	2
Central Birth Suite	5	2
Chemotherapy	4	1
Children's Outpatients	3	3
CMIU Children's Minor Illness Unit	10	0
Daycase Reception	6	0
Daycase Theatre	6	0
Dermatology	7	0
Diabetes Clinic	7	0
Domestic Services Areas 3	3	1
East Lancashire Breast Screening Service	3	3
East Lancs Children's & Adolescent Service	3	2
Endoscopy	6	0
EPU (Early Pregnancy Unit)	7	2
ELCAS (East Lancs Child & Adolescent Service)	3	2
ELCAS Administration Offices	3	3
Estates Department	3	2
Eye Clinic	1	3
Eye Ward (Ward 6)	1	3
Family Care Divisional HQ	3	4
Fracture Clinic	1	2
GAU (Gynaecology Assessment Unit)	7	2
General Office 2	7	0
111 GP Out of Hours	10	0
Gynaecology Daycase Unit	5	2
Gynaecology Outpatients	5	1
Gynaecology Ward	5	2
Haematology	4	1
Hydrotherapy	4	1
Jackson Offices	3	6
Mackenzie Library	8	B1
Mackenzie Centre	8	B1
Macmillan Info Point	1	2
Main Outpatients Reception	1	2
Main X-Ray	1	2
Maple House	6	0
Maternity Ward - Post-Natal	5	1
Maternity Wards - Ante-Natal	5	2
Mortuary	3	1
Multi Faith Rooms	4	1
NICU	5	1
Occupational Therapy (OT)	7	1
Oral & Maxillofacial Surgery	1	3
Orthoptic Department	1	3
Outpatients Reception Area 7	7	0
Pain Management Service	3	2
Pathology Blood Sciences	6	0
POAU (Pre-Op Assessment Unit)	7	0
Physiotherapy	4	1
PICU	8	B1
Rainbow Centre	7	1
Rakehead Rehabilitation Centre	9	0
Rehabilitation Department	7	1
Renal Dialysis Unit	7	0
Respiratory Department	7	0
Restaurant	4	2
Speech & Language Therapy	1	2
Tea Bar & Refreshments	1	2
Theatres 3 & 4	1	2
Theatres 5 to 11	6	1
Training & Development Centre	8	B1
UCC (Urgent Care Centre)	10	0
Ultrasound Scan	1	2
Ultrasound LWNC	5	1
Urgent Care Centre	10	0
Urology Investigation Unit	1	2
W.H.Smith & Cafe	7	0
Ward 6 (Eye Ward)	1	3
Wards 15 & 16	7	3
Wards 18 & PICU	8	B1
Wards 19 & 20	8	0
Wards 21 & 22	8	1
Wards 23 & 24	6	0
Wards 27 & 28	6	1
Womens Health Theatre Department	5	2
X-Ray Area 7	7	0
X-Ray - Main	1	2

Have you undertaken an comprehensive Assurance Mapping exercise in last 12 months?

1 Yes

9%

2 No

91%

4 lines of defense

Level	Assurance
Front Line Day to day risk management	This comes from the clinicians and managers within a department who performs the day to day activity.
2nd Line: Oversight of controls framework.	Organisational oversight by other functions in the organisation such as quality, finance and HR who can offer assurance supported by benchmarking. This is separate from those responsible for delivery, but not independent of the management chain
3rd Line : Objective and independent assurance	The board and its committees supported by internal auditors and deep dives
4th Line External	Assurance provided from outside the organisation by commissioners, partners and external auditors and reviewers

Are you confident as a provider you would spot an issue before the regulators?
Are you confident as a commissioner you would be made aware of an issue affecting your providers before the regulators?

1. Yes

45%

2. No

55%

Maturity Matrix

AUDIT COMMITTEES MATURITY MATRIX
Produced by John Bullivant, Good Governance Institute and Elaine Dower, 360 Assurance

TO USE THE MATRIX: IDENTIFY WITH A CIRCLE THE LEVEL YOU BELIEVE YOUR ORGANISATION HAS REACHED
AND THEN DRAW AN ARROW TO THE RIGHT TO THE LEVEL YOU INTEND TO REACH IN THE NEXT 12 MONTHS. 1 - 4

VERSION 2.0 APRIL 2019 - DRAFT

PROGRESS LEVELS ▶ KEY ELEMENTS ▼	PRE-REQUISITES	1 BASIC	2 IMPROVING	3 MATURE	4 NEXT STEPS Fit for future/ independently verified/ best practice shared
1. RELATIONSHIP WITH BOARD	Role and membership of the Board clear and documented	Relationship with Board identified –with Board articulating the assurance required from the AC and the frequency and method of reporting/ escalation.	Requirements established by Board consistently met (inc frequency and method of reporting).	As a result of its work the AC is able to make recommendations to Board on changes to systems of Governance, Risk Management & Control.	AC is proactive in supporting boards ability to handle arising threats and opportunities
2. CLARITY OF PURPOSE/ROLE OF AC	Organisation has clear Strategic Objectives which are consistently interpreted by members of the Board	AC has a ToR with a defined purpose, which identify how the AC supports the organisation achieve its strategic objectives	AC ToR identifies how the AC will fulfil its role through its relationship with other Board Committees.	Programme of work reflects purpose and reorientation away from relying on arms-length regulation and performance management to supporting service improvement and transformation within providers and across systems	Formal annual review and challenge by Board/governors/ stakeholders confirms AC is being effective in supporting board and stakeholders interests
3. RELATIONSHIP WITH OTHER BOARD COMMITTEES	Management and Committees have annually defined purpose and agendas for year	ToR for both AC and other Board Committees identify the other Board Committees	The difference in function is clearly articulated in the ToR (for both AC and other Committees).	Relationship with other Committees is robust, scrutiny/challenge is accepted both to and from others.	Annual review cycle affirms or adjusts purpose of committees for coming year
4. NDEPENDENCE & LEADERSHIP	Independence of Committee referenced in TOR and Induction materials	Roles of AC and other committees formally supported through access to SID	Non-Executive/Lay Member membership with Executive officers in attendance. The Committee sets forward agenda/ work programme to meet its needs and 'commissions'/ requests necessary papers/reports. Established that AC Chair cannot chair another Board Committee.	Committee confident to reject reports/papers if necessary. There is clear evidence of challenge to poor/unreliable sources of assurance. Members can call who they need to the Committee. Chairs of other Board Committees understand the difference in role requirements if they also sit on AC.	AC has begun to challenge wider performance issues such as buying locally, management capacity, green credentials (e.g. supply chain)
5. MEMBERSHIP –SKILLS & KNOWLEDGE	Membership defined and meetings quorate.	Board has identified skills required to reflect holistic approach to all systems within the institution. Any gaps in skills or experience are filled, temporarily if necessary.	Induction and development programme in place for members.	Schedule of observations of other ACs in place and encourage AC members from other organisations to attend AC with clear parameters and methods for providing feedback.	Succession plan in place.
6. ASSURANCE MAPPING	Clear and consistent assurance levels in place across the organisation.	Assurance mapping undertaken at an organisational level (e.g. for BAF purposes). Top down based on assurance required against strategic objectives and underpinning strategies.	Other Board Sub-Committees have completed their own assurance mapping (across all services and facilities to ensure no gaps i.e. bottom up).	The AC has undertaken its own assurance mapping/scrutinised that done by other Sub-Committees.	Independent scrutiny has been commissioned of the assurance mapping.

Scrutiny: the new assurance? A good governance discussion
Document:

https://www.good-governance.org.uk/wp-content/uploads/2017/09/Scrutiny-report-A-Good-Governance-Discussion-Document-3.pdf

Health and Social Care Integrated Joint Boards Risk Appetite Board Assurance
Prompt:

https://www.good-governance.org.uk/wp-content/uploads/2017/09/Aberdeen-Risk-appetite-BAP.pdf

References

- Audit Committee Handbook, HFMA, 2018
- Scrutiny: the new assurance? A good governance discussion document GGI/CFPS 2017
- King IV for Health and Social Care, GGI 2018
- Integrated reporting: http://integratedreporting.org
- RCPE Quality Governance Fellows Programme
- The Auditor: quo vadis, Mervyn King & Linda de Beer , 2018

Contact jrnbullivant@gmail.com

Audit Committees Maturity Matrix

Dr John Bullivant, FCQI
Chairman of Advisory Board
into future of public sector governance

Good Governance Institute

http://www.good-governance.org.uk

Maturity Matrix

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System governance

Lisa Robertson, policy and research manager
2 April 2019

About the HFMA

- HFMA's mission is to represent and support health and social care finance professionals through the influencing of health and social care policy, promoting best practice and providing high quality Continuing Professional Development (CPD) and education

- 14,000 members across the United Kingdom

- Publications, webinars, blogs, events, networks, magazine, HFMA qualification and the NHS operating game

- Includes Chairs, Non-Executive Director and Lay member Faculty

What I will cover

○ Why is system governance important?

○ The HFMA's work

○ Challenges and lessons learnt

○ Focusing on populations

○ Your experiences

○ Further information

Why is system governance important?

○ 'The NHS and our partners will be moving to create Integrated Care Systems everywhere by April 2021, building on the progress already made…..They will have a key role in working with Local Authorities at 'place' level, and through ICSs, commissioners will make shared decisions with providers on population health, service redesign and Long Term Plan implementation'

The NHS long term plan, January 2019

○ 'The key point is that governance is not a bureaucratic process that can be carried out periodically but rather a matter of structure, attitude and principals that underlie all that an organisation does.'

2017 HFMA Introductory Guide to NHS Governance

The HFMA's work - STP governance survey

○ HFMA *NHS financial temperature check,* Nov 2017:
60% of trust finance directors and 42% of CCG CFOs were concerned about STP governance arrangements

○ HFMA *STP governance survey*, Dec 2017:
mixed picture; remaining early days for many; improvement in collaboration and relationships; top five concerns:

Governance element	Ranked in respondents top 3 governance concerns
Decision-making: for each type of decision, who and how these are made is agreed and delegated	48%
Resources - control total: overall agreed shared control totals for either providers, CCGs or both within the STP footprint.	40%
Accountability: accountabilities to and from individual organisations are agreed and performance managed	30%
Vision: a clear, balanced and shared aim should be agreed by all stakeholders	25%
Conflicts of interest: conflict between organisational statutory responsibilities and STP vision	25%

The HFMA's work - STP governance survey
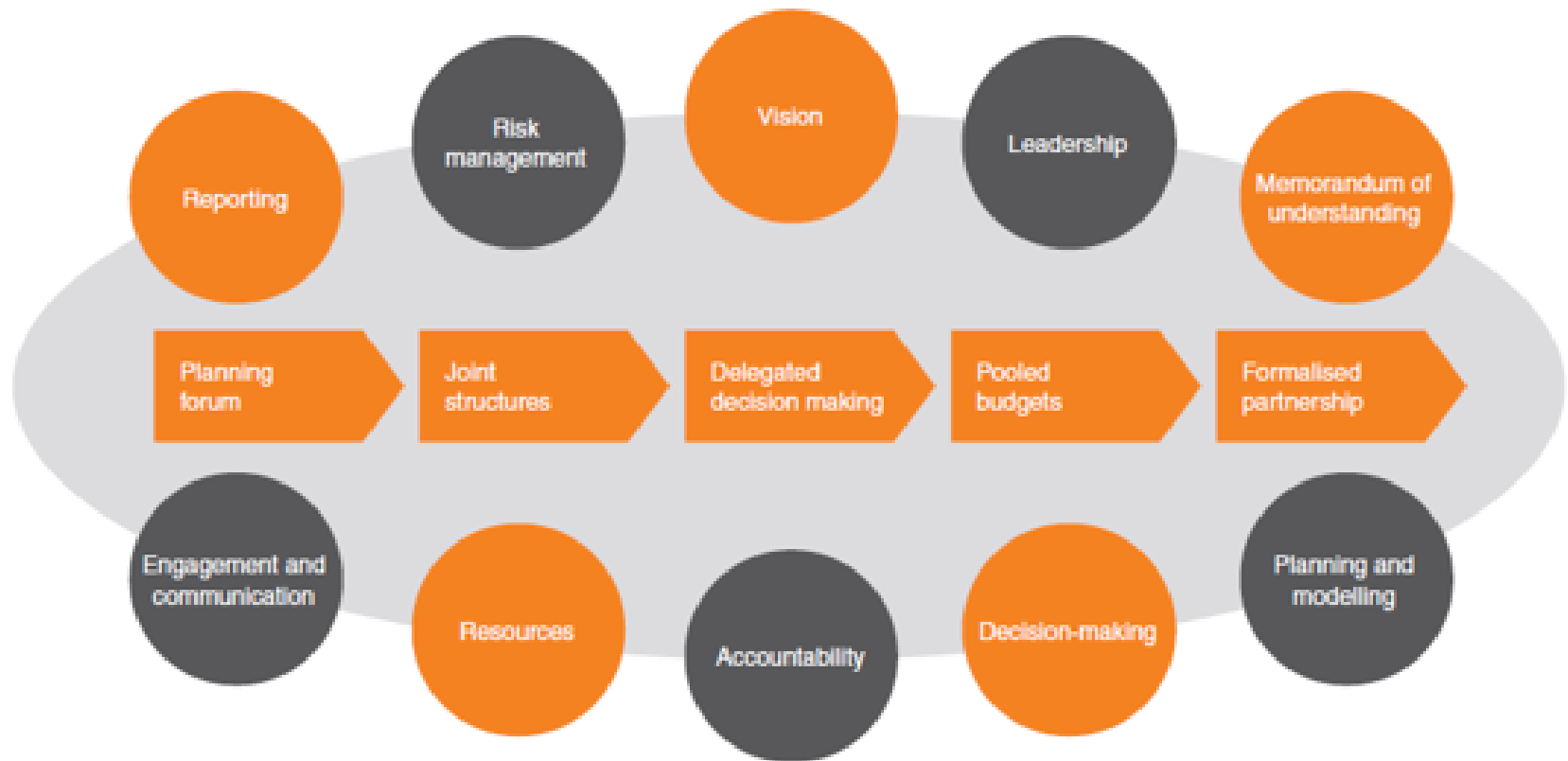
Source: Developing sustainability and transformation plan governance arrangements, HFMA, 2017

The HFMA's work – how do you align resource plans across the system?

○ 'one of the defining features of integrated care systems is the commitment on the part of local NHS organisations to manage their resources collectively'

> *Government's response to the Health and Social Care Committee's report on integrated care,* September 2018

○ Includes system control total, cash, capital, activity and workforce

○ Examples:

- Financial frameworks
- System plans
- Payment mechanisms
- System reporting

The HFMA's work – how do you support effective system decision-making?

⭕ How, what, where and when decisions are made.

⭕ Examples:

- Models
- Shared leadership
- Clarity of purpose
- Information for decision-making
- Value based decision-making

The HFMA's work – how do ensure robust system risk management arrangements?

⊙ What are the risks and where they lie – different for individual organisations

⊙ Both risks and opportunities

⊙ Examples:

- Agreed principles

- System risk register

- Risk/gain sharing agreements
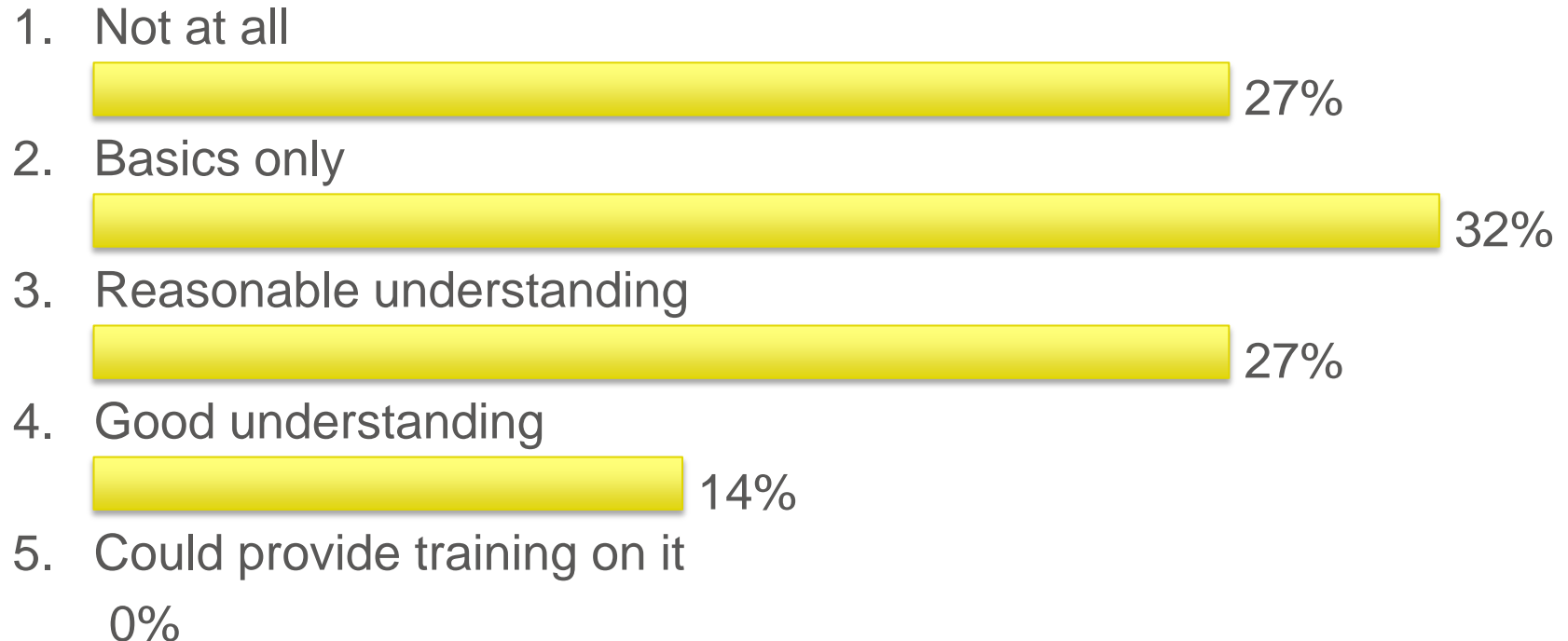
- Clinical and financial risk

The HFMA's work – challenges and lessons

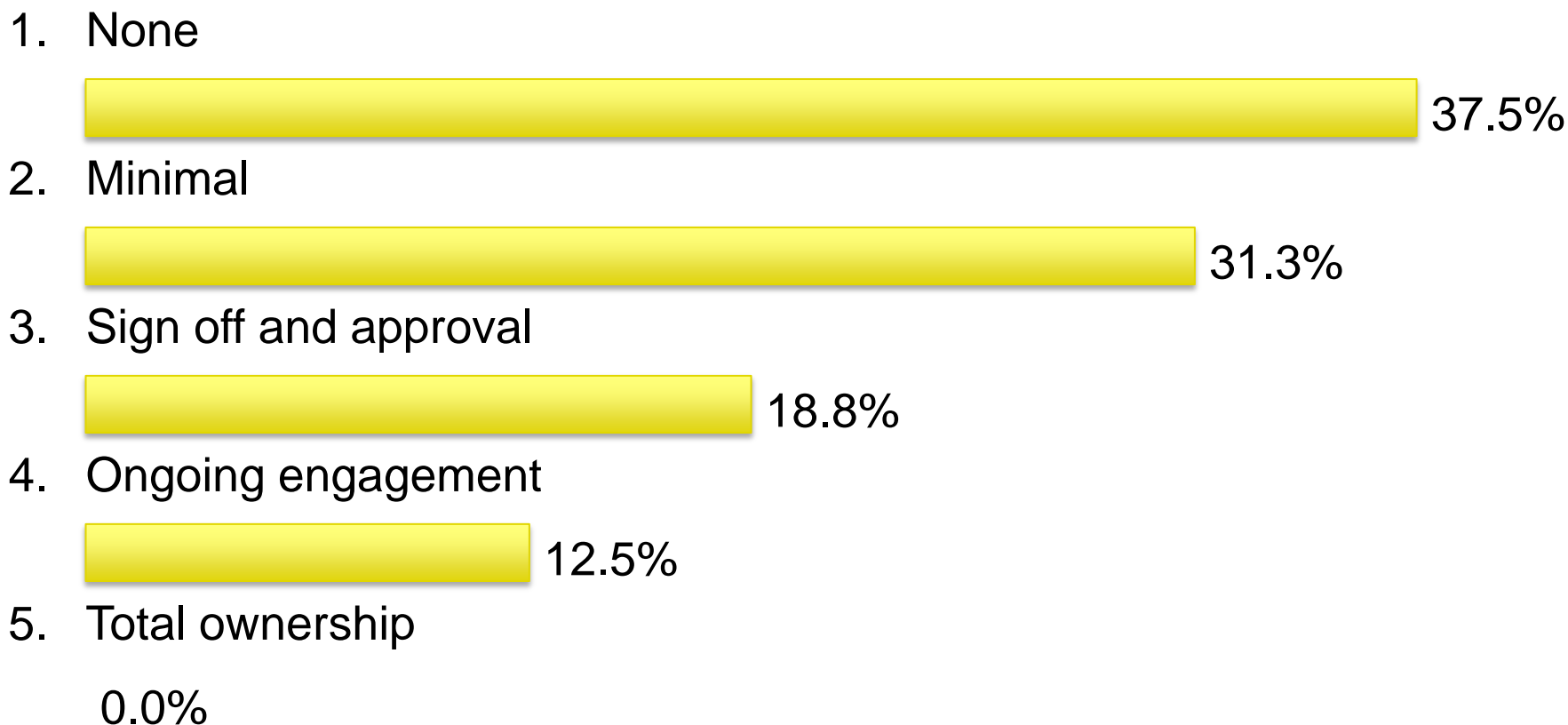| Challenges	Lessons
Accountability	Build relationships based on trust
Shared understanding	Agree shared population focussed vision
Collaborative culture	Agree principles – MoU
Capability, capacity and time	Ensure transparency and clarity
Engagement	Enable effective engagement
Funding flows	Ensure appropriate information
Legality	Develop a clear assurance mechanism

Focusing on populations

○ New HFMA research underway

○ People are unclear what the terms allocative or population value mean

○ Adopting an allocative value approach within health systems is at a very early stage

○ There is a fragmented data landscape

○ A significant cultural change is needed for population health, moving from a competitive to a collaborative model

○ The practicalities of improving allocative value are challenging

On a scale of 1 to 5, how well do you understand your system governance arrangements?

1. Not at all

27%

2. Basics only

32%

3. Reasonable understanding

27%

4. Good understanding

14%

5. Could provide training on it

0%

On a scale of 1 to 5, how much influence do you, as NEDs and lay members, have on developing system arrangements?

1. None

37.5%

2. Minimal

31.3%

3. Sign off and approval

18.8%

4. Ongoing engagement

12.5%

5. Total ownership

0.0%

Your experiences

Table discussions:

- What does system working mean for the role of the audit committee? What challenges does this pose and how can they be overcome?

- What examples have you seen of good or developing system governance?

- What further support would be helpful?

Further information

HFMA publications on system governance include:

- *[NHS corporate governance map](), updated February 2019*

- *[How do you ensure robust system risk management arrangements?]() December 2018*

- *[How do you support effective system decision-making?]() November 2018*

- *[How do you align resource plans across the system?]() October 2018*

- *[NHS audit committee handbook](), March 2018*

- *[STP governance survey](), March 2018*

- *[STPs - developing robust governance arrangements](), October 2017*

- *[Emerging approaches – developing STP governance,]() March 2017*

Any questions/ comments?

About the HFMA

The Healthcare Financial Management Association (HFMA) is the UK representative body for finance professionals working in the NHS and the wider healthcare sector. Our aim is to support the NHS finance function, to promote good practice in financial management and to improve the general understanding of NHS finance issues.

Our work is informed by a number of committees and special interest groups made up of healthcare finance practitioners. We publish numerous guides and briefings aimed at finance professionals, non-executive directors and non-finance staff. We also provide training and development opportunities – including a suite of web based learning modules – across all of these groups.
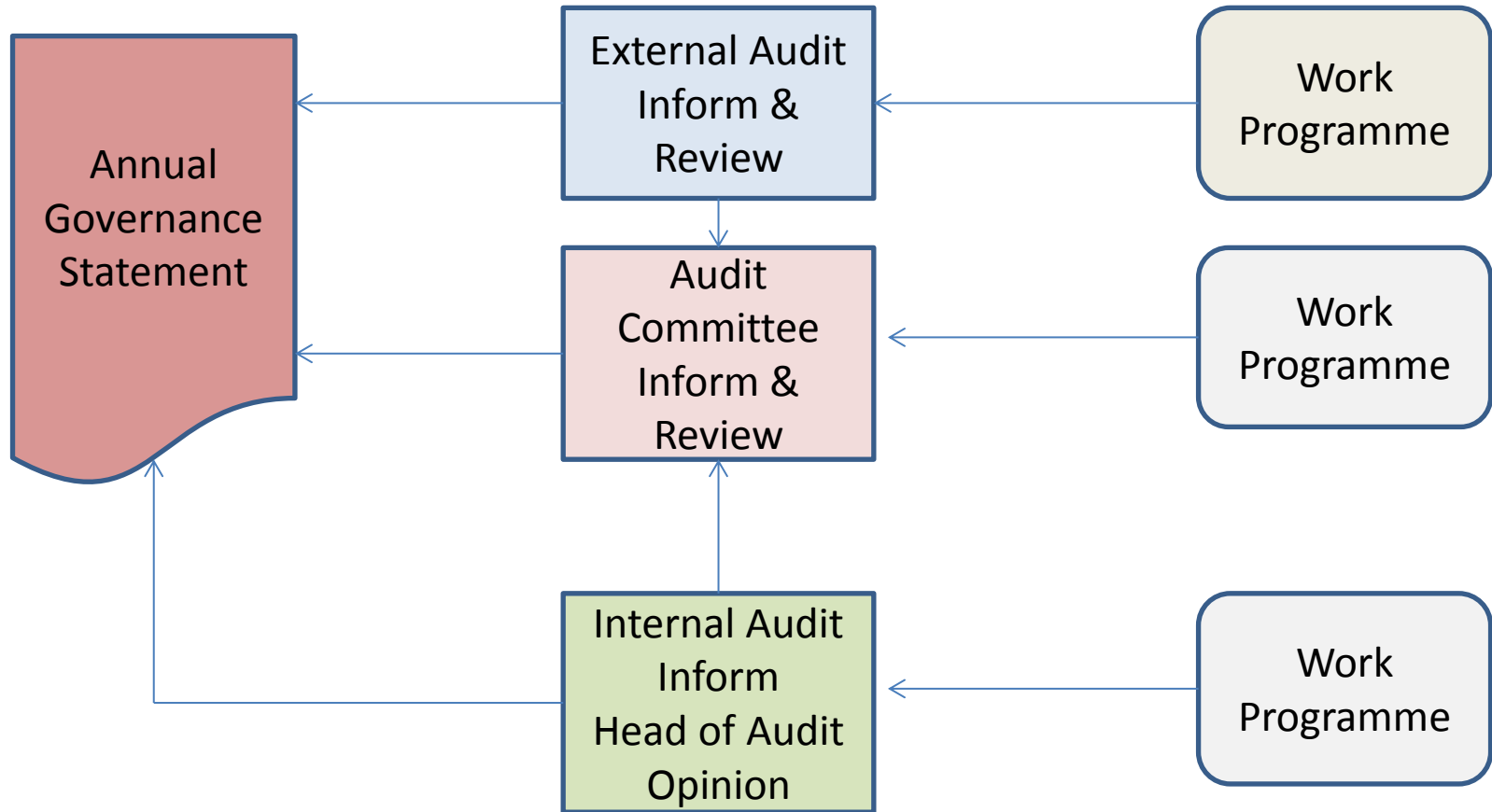
www.hfma.org.uk

Annual Governance Statements
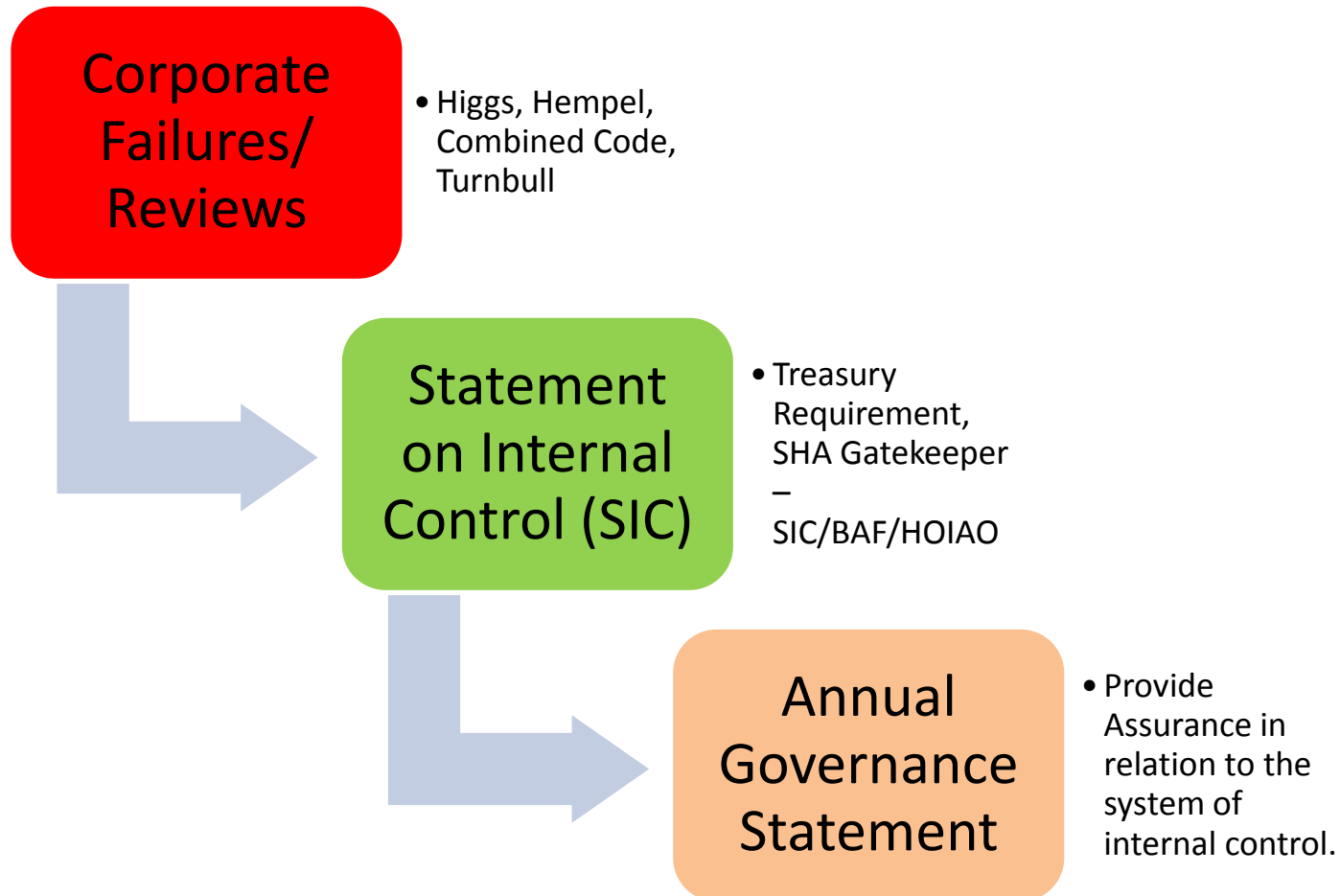
A discussion paper

Overview

- **Background to the AGS**

- **Review of the 2017/18 AGS guidance and compliance**

- **What is a significant control issue?**

- **Breadth of responses**

- **Evidence provided**

- **Completeness of answers**

- **Questions for the Audit Committee**

- **Key messages**

Background to AGS

Corporate Failures/ Reviews

- Higgs, Hempel, Combined Code, Turnbull

Statement on Internal Control (SIC)

- Treasury Requirement, SHA Gatekeeper – SIC/BAF/HOIAO

Annual Governance Statement

- Provide Assurance in relation to the system of internal control.

AGS Guidance & Compliance

- **Template – mandated/guided/hybrid**

- **Providers/CCG's different**

Providers – **9** sections

CCGs **21**

'Describe the key ways in which the Trust ensures that short, medium, and long-term workforce strategies and staffing systems are in place which assure the Board that staffing processes are safe, sustainable and effective'.

Have you seen/been provided with the template guidance issued by NHSI/NHSE for the completion of Annual Governance Statements?

1 Yes

61%

2 No

22%

3 Not Sure

17%

AGS Overall Findings

- ➢ **Significant variation in overall size of AGS and various sections**

- ➢ **Mandated words were not always used or were added to/amended.**

- ➢ **CCG's mainly comply with template order, make good use of sub-headings but occasionally change order of sub-headings and more seldom omit them altogether.**

- ➢ **Providers, though generally compliant, could radically amend template order and use their own headings.**

Providers

Providers 3,529 to 8,870 words.
CCGs 7,200 to 17,709
Providers – 6,076
CCGs – 13,044

What is Significant Control?

Could the issue undermine the integrity or reputation of the NHS?
Could delivery of the standards expected of the Accountable Officer be at risk?
Has the issue made it harder to resist fraud or other misuse of resources?
Did the issue divert resources from another significant aspect of the business?
Could the issue have a material impact on the accounts?
Might national or data security or integrity be put at risk?
Might the issue prejudice achievement of priorities?
What view does the Audit Committee take on this point?
What advice has internal or external audit given?

Threaten the safety of service users – screening results recalled.

Non-Compliance with equality and human rights legislation

External Auditor's public interest report

Have you seen/been provided with this guidance in the context of your role of advising your organisation on whether something is a 'Significant Control issue'?

1 Yes

40%

2 No

50%

3 Not sure

10%

Significant Control Issues

Outcome	From 25 providers examined	From 27 CCGs Examined
No concluding statement	1	2
Mandated sentence used	6	6
Statement plus dialogue	12	15
Uncertain if significant control	0	1
Yes – Significant Control Issues	6	3

(a) Non-achievement of targets
(b) Financial pressures /failure to achieve CIP

Given

A=Failure to achieve national targets

B=Financial pressures/failure to achieve CIP

Which of the following do you think is correct?

1 Only A is a significant control issue

14.3%

2 Only B is a significant control issue

0.0%

3 A and B are both significant control issues

33.3%

4 Neither are significant control issues

14.3%

5 It all depends….

38.1%

Detailed Review

Breadth
- Capacity to handle risk (how staff trained and equipped to manage risk)
- Key processes applied to ensure resources used 3E's

Evidence
- Performance of members/Governing Body and assessment of effectiveness
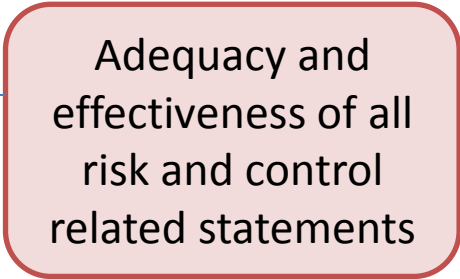- Information Governance

Completeness
- Risk Assessment (set out major risks. Actions to manage, outcomes assessed).
- Describe how the quality of performance information is assessed
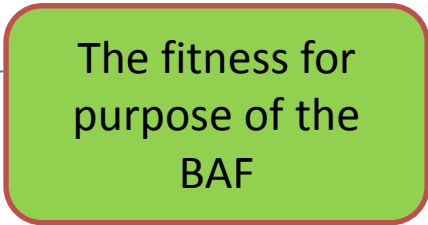
Questions for Audit Committee

- **Terms of reference** ← Adequacy and effectiveness of all risk and control related statements

- **AGS guidance**

- **Forming a view** ← The fitness for purpose of the BAF

- **Producing an Annual Report**

Key Messages

- There was a striking variation in the size of AGS's in overall word count and by section.
- Mandated words were not always used and sections of the template were not always present or the order was changed
- A range of issues were identified in the concluding statement as 'Significant Control Issues' by some which for others were listed in an earlier section as major risks
- There was a range in the breadth of responses to sections within the AGS
- Opportunities exist for organisations to provide more evidence in support of their AGS.
- There was at times a lack of completeness in answering the template questions in their entirety.