

# HULL & EAST YORKSHIRE HOSPITALS NHS TRUST

## Financial Governance Systems MOT Test – Self Assessment

The Chair of the Audit Committee, in junction with Non Executive Directors, developed a list of assurance questions to test all of the relevant financial, Human Resources and procurement systems. Management and internal audit RAG rated the results. This Assessment was submitted to and approved by the Trust Board in June 2015.

AREA OF REVIEW	SELF ASSESSMENT/EVIDENCE	AUDIT COMMENT	HEY	MIAA
<b>Finance Systems</b>				
1. Is the current scheme of delegation (SOD) being rigorously enforced?	<p>There is an overall Financial SOD based on materiality and seniority within the organization.</p> <p>Within each HG/directorate there is a very detailed SOD at named employee/officer level – this follows the materiality and seniority rules set out in the overall financial SOD.</p> <p>Before salary/expenses reimbursements and non-pay expenses and orders are paid by central finance (or ordered by procurement) they refer to the detailed SOD held by HG's and directorates.</p> <p>Should the process of referring to a SOD fail, incorrectly authorised payments should be detected through the process of budget management and control. Both controls are testing through our programme of internal audit.</p>	<p>MIAA has confirmed that a scheme of delegation is in place at the Trust as part of our Budgetary Control work.</p> <p>The compliance with and enforcement of the Scheme of Delegation has been reviewed within various pieces of audit work in 2014-2015, eg. procurement, tenders and waivers etc.</p> <p>This will be a continuing theme going forward into the 2015/2016 plan, so on-going assurance will be provided in this area within various reviews.</p>		
2. Are material variances explored and explained by budget holders?	<p>Our monthly corporate performance report (reported to the Performance and Finance Committee and Trust Board) highlights variances at Health Group level and includes high level explanations for those variances.</p> <p>Each Health Group will investigate the detail behind variances which are further examined and explained at both Service level and individual budget level – either by budget holders themselves or in conjunction with their Head of Finance and members of their Finance team.</p>	<p>MIAA noted within our 2014/2015 Budgetary Control review that processes were in place at Health Group level to identify, analyse and agree corrective actions against material variances identified.</p>		

3. Are material variances brought to Board attention?	Yes please see above. Material variances will be discussed at the monthly Performance and Finance Committee prior to the Board and material variances brought to the Board's attention.	The reporting of the financial position, material variances and associated financial risk to both the Performance and Finance Committee and the Board was confirmed with the MIAA review of Budgetary Control in 2014/2015.		
4. Review the new scheme of delegation when approved and confirm compliance?	The SFI's (financial Governance rules) are being clarified and simplified. A revised high level SOD will result but will not be materially different to the existing SOD. The revised SOD and SFI's will be brought to the Audit committee for review prior to Board approval	MIAA will have the opportunity to review the revised scheme of delegation via attendance at Audit Committee.  As noted above, on-going assurance re: compliance will be a theme through various MIAA reviews in 2015/2016.		
5. Is short term cash forecasting in place and regularly updated.	There are various forecasts in place. Weekly, monthly, annual and a rolling 18 month forecast. Forecasts are updated weekly from real information and variances explained. There is a weekly cash meeting chaired by the Chief Accountant to discuss issues, priorities and strategy for managing cash and includes key staff.  The cash position is included in the Board report and periodically reported to the Performance and Finance committee  In addition the Trusts annual plan includes a full monthly cash forecast.	MIAA has not reviewed the Treasury Management systems of the Trust in 2014/2015, but this will be considered for review in the Financial Systems section of the Internal Audit Plan in 2015/2016.		
6. Are credit control policies in place and rigorously applied.	90% of our income derives from CCGs/NHS contracts for healthcare. The contract terms and mechanisms for payment are Nationally agreed.  Credit control is not applicable in the true sense however we are mindful that our customers have limited resources.  Disputes with NHS bodies and CCGs only arise when one party acts outside of established agreements.  We have operated a system of upfront payments from private patients to guard against risk but at £0.5m in total this is not a material risk	MIAA provided significant assurance in relation to our review of Accounts Receivable processes, which included a review of the credit control procedure and the reporting of outstanding debt through the governance structure of the Trust.  The actual compliance with the policy was not tested in detail at this point as revised debt collection guidance was being produced at the time of our review.		

<p>7. Are contractual terms and conditions clear and signed up ahead of commencement of work.</p>	<p>More than 90% of our income is covered in our contracts with CCGs/ NHS England or training and research bodies.</p> <p>These are which are usually signed prior to the start of the year in accordance with a National, mandatory timetable.</p> <p>The terms and conditions of contracts with CCG's and NHS England are Nationally derived contracts. Often issues around the national tariff prices prevent the Trust from signing ahead of 1 April.</p> <p>Agreements with University of Hull and other providers are not subject to the same national rigor. The process supporting these agreements is audited on a 2-3 year cycle, and the most recent report was favourable.</p> <p>All NHS bodies are signed up to the prompt payment code</p>	<p>MIAA's review of the Trust's contract management processes in 2014/2015 (focused on the main contracts with commissioners) noted no significant issues with significant assurance being provided.</p>		
<p>8. Are debts rigorously chased when due, with legal sanctions applied in a timely manner.</p>	<p>Debts are rigorously chased. The big debts relate to contractual interpretation disputes with other NHS and non NHS provider bodies.</p> <p>For NHS contracts there is a formal dispute procedure. Contracts concerning NHS Trusts are not legally enforceable and therefore legal sanctions are not applicable. Most NHS debts are collected.</p> <p>Non NHS debts that remain unpaid are referred to debt collection agencies sand court action is taken where cost effective</p>	<p>See commentary in point 6 above.</p>		
<p>9. Are expenses and credit cards payments signed off by a superior in every case.</p>	<p>All cards are signed by a superior.</p> <p>Detailed procedures exist and all cardholders have confirmed that they understand their obligations. The cardholder has the responsibility to ensure authorisation takes place – there is further oversight by the finance function that this happens.</p> <p>This has recently been the subject of an internal audit and all recommendations have been implemented.</p> <p>Expenses paid via the payroll are done electronically and authorization has to be done electronically before payment can progress.</p>	<p>MIAA completed a review of the revised arrangements for credit card payments in 2014/2015, with suggested areas for further improvement noted, which will be further reviewed as part of our follow-up process in 2015/2016.</p> <p>Expenses paid via the payroll system have not been covered to date as part of the Internal Audit Plan.</p>		

<p>10. Have all outstanding actions under the KPMG report into credit card expenditure been signed off as complete.</p>	<p>The recommendations made by KPMG have been implemented in full.</p> <p>The internal audit report recommendations have been implemented in full</p>	<p>See point 9 above, MIAA has separately reviewed revised arrangements for credit card payments in 2014/2015, which will be further reviewed as part of our follow-up process in 2015/2016.</p>		
<p>11. Are payroll starters and leavers subject to appropriate sign off, with appropriate segregation of duties between HR and Finance.</p>	<p>Starters are put onto the payroll system by HR . There is adequate segregation of duties and this is tested annually by internal audit as part of the payroll audit.</p> <p>There is a recruitment process that is periodically audited by internal audit and that process underpins the authorisation of new starters which is done at budget holder level.</p> <p>There is a team in payroll that deal with leavers but they are unable to process salaries and expense payments so there is adequate segregation of duties. This is tested by internal audit as part of the annual payroll audit.</p> <p>As part of their audit work, KPMG found that the wider organisation was lacking in discipline in terms of leaver documentation. Documentation either did not exist or was incomplete or late or unsigned. No resulting overpayments were identified as a result, not least because of the ESR team obtaining confirmation retrospectively. The ESR team are working with HR contacts and the communications team to ensure budget holders are reminded of the important of leaver documentation</p>	<p>MIAA completed a systems review of payroll as part of the 2014/2015 Internal Audit Plan, this provided significant assurance overall.</p> <p>The work confirmed that starters and leavers sample tested had been appropriately authorised and that adequate segregation of duties was in place within the systems for starters and leavers.</p> <p>The Payroll systems will be subject to on-going annual review.</p>		
<p>12. Are overtime and shift payments appropriately signed off.</p>	<p>Only those authorised on the detailed financial scheme of delegation can authorise overtime payments, although they may rely upon other staff (for example such as shift supervisors) to verify that the number of hours claimed are genuine. Each HG and directorate assign authorisers in line with the overall SOD</p> <p>Overtime records are supported by electronic or manual rotas and are entered onto the payroll system manually or electronically- both methods are subject to checking and control mechanisms</p> <p>The internal audit detailed question 11 above will test the controls are effective</p>	<p>MIAA has conducted sample testing at locality level with regards to the systems that support payroll submissions at that level within 2014/2015, and will continue to provide this assurance going forward as part of our on-going programme.</p> <p>Our work focuses on whether there are adequate records held at ward/department level and that any payments are authorised appropriately and reconcile to such supporting records.</p> <p>Some issues were noted in this year's programme, with actions being agreed at ward/department</p>		

		level to improve controls, which will be further reviewed as part of our follow-up work.		
13. Are HMRC tests in respect of self employed versus employed status being complied with.	<p>In an organisation of 8500 there is always a risk of these scenarios remaining undetected. However the Trust is very aware of this issue and takes reasonable steps to identify such persons and ensure the correct tax treatment is applied. A briefing paper was taken to the June 15 audit committee</p> <p>The Trust uses the services of a tax advisor where necessary. Most senior finance staff recently attended training on this issue and this has increased awareness.</p>	MIAA completed a systems review of payroll as part of the 2014/2015 Internal Audit Plan, however payroll audits don't include this area routinely.		
14. Are any expenditures being incurred which might be deemed as benefits in kind (BIK), but not currently treated as such.	<p>The scope for BIKs to go undetected is limited in the NHS because there are limited opportunities for benefits.</p> <p>The most likely place for these to go undetected would be via expense claims which are authorised on line by budget holders. Budget holders are relied upon to verify and assess all claims.</p>	MIAA completed a systems review of payroll as part of the 2014/2015 Internal Audit Plan, however payroll audits don't include this area routinely.		
15. Is the monthly payroll subject to appropriate scrutiny and subject to a standard checking routine against the previous	<p>The monthly pay routines include a 100% check for all staff to identify unusual amounts, movements. In addition there are various report run and scrutinized – for example highest payments</p> <p>At HG and individual budget level there is a lot of scrutiny as part of monthly budget monitoring routines</p> <p>At Trust level there is scrutiny as part of the year end process by way of analytical review.</p> <p>The forthcoming payroll audit will examine whether this is adequate.</p>	<p>MIAA did undertake a targeted piece of work in 2014/2015 following the identification of 2 significant overpayments by the Finance Department which noted issues re: payroll checking processes and compliance with procedure.</p> <p>Subsequently MIAA completed a full systems review of payroll as part of the 2014/2015 Internal Audit Plan, this provided significant assurance overall.</p> <p>This control was noted to be in place but evidencing of checks undertaken was noted to be inconsistent with a further recommendation made to improve controls/audit trails.</p> <p>The Payroll systems will be subject to on-going annual review.</p>		
16. Are starters and leavers independently checked by the central Finance	<p>Starters are put onto the system by HR however the input isn't checked – this needs strengthening</p> <p>Individual payroll clerks review payrolls for new starters and ensure the set up is</p>	<p>MIAA completed a systems review of payroll as part of the 2014/2015 Internal Audit Plan, this provided significant assurance overall.</p> <p>The review noted that HR input was</p>		

function.	<p>reasonable</p> <p>This will be picked up by the forthcoming payroll/HR audit</p>	<p>currently being checked by Payroll with errors noted. It has been recommended and agreed that HR conducts its own input checking as an additional control.</p> <p>It was also noted that within payroll an independent check of input was being made by a second payroll officer, but instances were noted where the check was not being adequately evidenced, with a further recommendation made to improve controls/audit trails.</p> <p>The Payroll systems will be subject to on-going annual review.</p>		
17. Is there an annual internal audit check of payroll to HR records, so as to identify fraud or failure to action leavers or changes to T&C's such as a reduction in hours	<p>Payroll HR (incl starters/leavers) is subject to an annual audit by internal audit. Starters and leavers is a feature of the audit. It is also sometimes the subject of a proactive fraud detection exercise – but not every year.</p> <p>Leavers are notified by the line manager not HR. Notification of leavers or changes in hours or grade is sometimes received late which results overpayments. In most instances overpayments or payments to leavers are recovered. Court action has been taken to recover payments where necessary. There is an overpayments register kept by payroll which includes details of recovery rates. This is periodically revised by the Deputy Director of Finance.</p>	<p>MIAA completed a systems review of payroll as part of the 2014/2015 Internal Audit Plan, this provided significant assurance overall.</p> <p>This included sample testing to ensure that starters, leavers and contract and bank detail changes are valid, and appropriate authorisation is in place to request such changes.</p> <p>Recommendations have been made and actions agreed to further enhance controls in this area within HR and Payroll.</p> <p>The Payroll systems will be subject to on-going annual review.</p>		
18. Have all novel and contentious payments been appropriately authorised and reported.	<p>In terms of unusual payments there is a losses and special payments procedure and register that is reported to the audit committee and in the annual accounts.</p> <p>Novel and contentious payments would be recorded in the register but only where they have been detected and correctly coded within the general ledger.</p> <p>Ensuring all such payments get in the register is open to budget holder/ HG scrutiny</p> <p>The scheme of delegation(q1 above) and budgetary control system is also an effective assurance/safeguard over ordering/payment . Official orders are also scrutinised by the procurement team, though not specifically for contentious</p>	<p>This area has not been subject to MIAA review to date.</p>		

	<p>supplies.</p> <p>Payments using credit cards are controlled by way of controlling the merchant categories allocated to cards, by ensuring that cards are only issued to responsible employees for official use and that use is made clear. Once expenditure has been incurred it is authorised by Board / Director level officers/staff and is subject to scrutiny by the Audit Committee.</p>			
<b>HR systems.</b>				
1.Are all recruitments signed off appropriately, and benchmarked where relevant.	<p>There is a set process for signing off recruitment with slight variations between Health Groups and Directorates.</p> <p>The process involves authorisation by the HR Manager, the Budget Holder and the Head of Finance before the recruitment campaign can proceed.</p> <p>Staff on agenda for change contracts have roles that have been assessed by the National job evaluation system that links roles to grades and hence salaries. The evaluation is undertaken jointly by staff and union representatives trained specifically in job evaluation.</p> <p>The benchmarking process for those not on agenda for change contracts is outlined in 2 below</p>	<p>MIAA completed a systems review of payroll as part of the 2014/2015 Internal Audit Plan, this provided significant assurance overall.</p> <p>This included sample testing to ensure that starters were appropriately authorised.</p> <p>The Payroll systems will be subject to on-going annual review.</p> <p>This work does not cover any elements of benchmarking.</p>		
2. Are all wage increases signed off at the appropriate level and benchmarked, including REMCOM where necessary.	<p>Amendments to the terms, conditions and pay of both Medical and Dental and Agenda for Change staff are agreed at a national level and implemented locally.</p> <p>The Trust determines the increase relating to those staff on Trust specific contracts and this is usually in line with nationally negotiated agreements, pre-determined terms and conditions, or benchmarked with scrutiny by the remuneration committee. Benchmarking data is provided by the Association of UK University Hospitals (AUKUH).</p>	<p>MIAA completed a systems review of payroll as part of the 2014/2015 Internal Audit Plan, this provided significant assurance overall.</p> <p>This included sample testing to ensure that contract changes were appropriately authorised.</p> <p>The Payroll systems will be subject to on-going annual review.</p> <p>As above, this work would not cover any elements of benchmarking.</p>		
3. Are agency staff recruited appropriately and subject to appropriate checks.	<p>Agency staff are contracted through agencies that are on NHS procurement framework agreements and, therefore, in providing the Trust with staff the agency is required to abide by the NHS Recruitment Standards.</p> <p>Where staff are not available through approved agencies, other agencies may be</p>	<p>MIAA has not undertaken any work in this area to date, however there is work planned in this area for 2015/2016.</p>		

	approached, however, a full check of documentation is undertaken to ensure employees meet NHS Recruitment Standards.			
4. Is the premium cost of agency staff monitored and reported properly.	The majority of medical agency costs are reported and monitored in the monthly Workforce report. This report is to be expanded to include ED/AAU spend and in the longer term some other professional groups. Expenditure on agency staff will be monitored and reported on as part of the analysis of variances (see Finance Q2).	See point 3 above.		
5. Have all outstanding actions from the KPMG report into Remuneration Committee (REMCOM) been closed out.	On 19 March 2015, the Trust Chair received assurance from the Chair of the Audit Committee and Chief Executive of the Trust that all actions from the KPMG report into the Remuneration Committee had been closed.  The Trust Chair also received confirmation that independent assurance had been received from Mersey Internal Audit Agency (MIAA)	KPMG have now confirmed that they are happy the actions from this report have been completed.		
6. Does REMCOM now function in line with the new REMCOM terms of reference?	The Remuneration Committee is functioning in line with new Terms of Reference approved by the Trust Board in November 2014.  All decisions made by the Remuneration Committee will only be taken following full consideration of a formal briefing paper.	KPMG have now confirmed that they are happy the actions from this report have been completed		
7. Are employment contracts issued to new staff clear as regards entitlements, particularly senior staff.	There are standard contracts issued to Agenda for Change staff and Medical and Dental Staff as appropriate. The contract reflects national terms and conditions supplemented by some local terms and conditions as allowed by the national terms and conditions.  The contract for Very Senior Managers (VSM) is based on a national template and has been strengthened following input from legal advisors. We believe the contract terms to be clear. The contract is to be further updated in relation to Fit and Proper and repayment of previous redundancy payments.	MIAA has not undertaken any work in this area to date, however there is work planned in this area for 2015/2016.		
8. Are such clauses time limited where appropriate, and monitored for expiry and repayment	Time limited clauses in any of our employment contracts are unusual however there is a tenure of post clause(3 years but with 3 month notice from either part) which is in the body of the supplementary contract for senior medical leaders.	MIAA has not undertaken any work in this area to date, however there is work planned in this area for 2015/2016.		



where applicable (golden hellos / retention payments).	<p>There is no facility for payroll to make Golden Hello and/or Retention Payments to senior staff without direct instruction from the Chair of the Remuneration Committee.</p> <p>Where any such instruction is given an end date is required which is then entered onto the payroll system – the payroll system automatically ends the entitlement on expiry.</p>			
<b>Procurement systems</b>				
1. Is the Trust Procurement Policy up to date.	<p>There is not a policy per se. There are operational procedures which some are up to date, and a couple are currently being reviewed and updated (these are operational guidance for the procurement staff)</p> <p>In relation to 'policies' all our documentation is current with Procurement rules and regulations EU etc, and is currently being changed due to new legislation issued in February 2015.</p>	MIAA conducted a review of the Trust's Procurement processes in 2014/2015. The review noted that a strategy was in place but had not been formally approved. An action was agreed to rectify this issue which will be re-examined in 2015/2016 as part of the MIAA follow-up process of all agreed actions.		
2. Confirm that the policy is being complied with in all material aspects.	As above but we comply with our own policies – recently tested by Internal audit	MIAA's 2014/2015 review of the Trust's procurement process noted limited assurance, see point 3 below for further details.		
3. Have all single source waivers (SSW) been appropriately signed off, against robustly articulated business cases.	<p>Yes. SSW's for the 2 years from 1 April 2013 have been to Audit Committee for review and there has been scrutiny following the KPMG investigation.</p> <p>There is no 'business case' as such but a clear and concise justification that is attached to the Single Source Waivers and this is reviewed by the procurement team</p>	MIAA's 2014/2015 review of the Trust's procurement process noted limited assurance, with particular issues being noted around single source tenders waiver processes (non-reporting to Audit Committee, waiver raised retrospectively which breached EU limits and adequacy of explanation for waivers). Actions were agreed to rectify the issues raised, which will be re-examined in 2015/2016 as part of the MIAA follow-up process of all agreed actions.		
4. Are procurement decisions which do not select on lowest cost basis fully justified by the selection panel on a value for money basis.	Yes. HG accountants supporting the decision making process are expected to complete a finance form justifying their decision to not take the cheapest offer and this is presented with the papers for sign off by either the Board, CE or CFO.	MIAA's 2014/2015 review of the Trust's procurement process noted one instance where a decision had been made not to award a contract to the lowest bidder, however we were satisfied that an audit trail was in place to record and justify this decision in line with SFIs.		

5. Do we adequately and regularly scrutinise suppliers against HMRC employment status criteria.	See response above – Finance questions. This is not undertaken in procurement.  The Trust operates the Construction Industry Scheme (CIS).	MIAA's review of procurement in 2014/2015 did not cover this specific point.		
6. Have all contracts above the European Union (OJEU) limit been subject to appropriate tendering in compliance with European law.	Yes. There have been a few contracts over the OJEU limit that have been signed off as SSW's . Purchases over the OJEU threshold can never be the subject of a SSW as the requirements of the law override internal Trust procedures.	See point 3 above.		
7. Pro forma invoices – are these invoices received and the risks managed?	The Trust receives pro-forma invoices but they are rare – estimated at less than 10 a month against total invoices received each month of 8,200.  Pro-forma invoices are generally not processed until the VAT invoice is received.  Where payment is required with order the pro forma may be processed (depending on the specifics of the transaction)but is always kept separately and matched to the invoice once it arrives.  The usual authorization process applies as outlined in the response to Finance question no 1 above.	MIAA have not as yet reviewed accounts payable processes, this will be considered for review in the Financial Systems section of the Internal Audit Plan in 2015/2016.		
<b>Whistle blowing / Anti-Fraud</b>				
1. Are current whistle blowing arrangements clear, communicated to staff and sufficiently independent.	The whistle blowing policy is currently out to consultation and will be approved shortly. However a campaign has been underway communicating the 'freedom to speak up' and will continue to do so with whistle blowing being a key piece of that work.	The Trust's Local Counter Fraud Specialist makes reference to the Trust's whistleblowing arrangements during fraud awareness sessions as another potential avenue for staff to raise concerns.		
2. Are anti-fraud arrangements in place?	Good antifraud arrangements are in place  There is an anti-fraud policy and a program of anti-fraud work that is undertaken by a qualified Counter Fraud officer (LCFS). The LCFS is independent and works under the direction (but not control) of NHS Protect	The LCFS also provides an annual report which summarises all of the work undertaken in the financial year as well as providing a self-assessment against the NHS Protect standards for Providers.		

	<p>and has further support from the Mersey Internal Audit Agency. NHS Protect undertake inspections/audits to ensure that the service provided by the LCFS is up to an acceptable standard</p> <p>The annual fraud program consists of around 80 days of work designed to inform, deter, detect fraud and ensure that perpetrators are held to account. The LCFS also undertakes investigations and instigates recovery/ court action where applicable</p> <p>Anti-fraud activity is monitored by the Chief Financial Officer and Audit Committee through regular reports and/ or meetings</p>	<p>This provides assurance that work is being undertaken in accordance with the national strategy and that there is a good level of compliance with national standards.</p>		
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