

Cover Sheet

Public Trust Board Meeting: Wednesday 09 September 2020

TB2020.81

Title: **Audit Committee Chair's Report**

Status: **For Information**

History: **This is a regular report to the Board**

Board Lead: **Committee Chair**

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Confidential: **No**

Key Purpose: **Assurance**

Executive Summary

1. The Audit Committee is a committee of the Trust Board and, as such, provides a regular report to the Board on the main issues raised and discussed at its meetings.
2. Since the last report to the Board held in public, the Audit Committee has met on 19 May 2020, 22 June 2020 and 29 July 2020. An additional “read through” session was held on 3 June for focused review of the Annual Report and Accounts.
3. Under its terms of reference, the Committee is responsible for providing assurance to the Trust Board on the Trust’s system of internal control by means of independent and objective review of financial and corporate governance, and risk management arrangements, including compliance with law, guidance, and regulations governing the NHS. This report aims to contribute to the fulfilment of that purpose.

Recommendations

4. The Trust Board is asked to note the contents of the Audit Committee’s regular report to the Board.

Audit Committee Chair's Report

1. Purpose

- 1.1. This paper provides the Board with a summarised report highlighting key Committee business and issues arising from the meetings during this period.

2. Background

- 2.1. Since the last Audit Committee report to the Trust Board in Public, the Audit Committee ["the Committee"] held meetings on 19 May 2020, 22 June 2020 and 29 July 2020. An additional "read through" session was convened on 3 June for focused review of the Annual Report and Accounts.
- 2.2. Under its terms of reference, the Committee is responsible for overseeing the establishment and maintenance of an effective system of internal control throughout the organisation. It ensures that there are effective internal arrangements in place, reviews the work and findings of External Audit, reviews the Trust's annual statutory accounts before they are presented to the Trust Board and maintains oversight of the Trust's Counter Fraud arrangements.

3. Year End Reporting and Related Issues

Annual Report and Accounts 2019-20, including the Annual Governance Statement

- 3.1. A key area of focus during this period was to inform the Board and consider the required assurance in relation to year-end reporting for 2019/20. Through this period, the Committee maintained oversight of the revised regulatory timelines (which had changed in response to the Covid-19 pandemic) and received regular progress updates. The Annual Report and Accounts 2019/20 were approved by Board on 23 June and laid before Parliament on 8 July. The External Audit Letter from our external auditors, Mazars, will be presented to Governors on 9 September.
- 3.2. The Committee reviewed the draft statutory accounts prepared for the financial year 2019/20 at the May and June 2020 meetings. The Committee noted that the accounts had been prepared in accordance with the National Health Services Act 2006 and was briefed on the new accounting entries during the year and the Covid-19 impacts to the accounts. Following review at the June meeting, the Committee noted that no significant changes had been made to the accounts since its previous

review and the Committee recommended that the Trust accounts were adopted by the Board.

- 3.3. The Committee reviewed the report on the representations from management and those charged with governance to our external auditors, Mazars, which is a requirement of the International Standards of Accounting.
- 3.4. The Committee reviewed the Going Concern paper and supported the basis of the preparation of the accounts on a going concern basis, but disclosing a material uncertainty over commissioning income and Covid-19 cost reimbursement. The Committee noted the detailed work that had been undertaken in considering these issues.
- 3.5. A detailed review of the Annual Report was conducted during a focused reading session. As a result of the feedback received, a number of amendments were made to the draft Annual Report to reflect the comments received.
- 3.6. The Committee conducted a detailed review of the Annual Governance Statement, with particular consideration of the Executive's assessment of the control issues that had been identified and the key areas which impacted on the governance procedures and systems during the year.
- 3.7. The Committee noted the declaration of interests for Board members and approved this for inclusion in the Annual Report on the caveat that any final updates to the register were confirmed by all Board members prior to inclusion.

External Audit Progress Reporting

- 3.8. The Trust's external auditors presented their Audit Completion Report on the Trust's Annual Accounts at the June meeting. The audited Annual Report and Accounts document was submitted on 25 June by the submission deadline. The external auditors issued an Audit Completion Report follow-up letter for the Audit Committee on 25 June 2020 to provide an update on the matters previously identified as "in progress".
- 3.9. The external auditor confirmed that no significant findings had emerged from their review of the significant risk areas that had been identified and an unqualified opinion would be provided in relation to the Annual Accounts.
- 3.10. The Committee heard that there was one unadjusted misstatement, this was noted as not material to the accounts but was noted in the external audit completion report.
- 3.11. In relation to the Value for Money conclusion, the Trust's external auditors confirmed that, with the exception of the matters set out in their report, in

all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The matter the auditors drew attention to in their report were the Trust's overall rating as '4-Inadequate' under NHS Improvement's Use of Resources assessment for finance for the financial year ending 31 March 2020, and the Trust's 2019/20 outturn with a year-end deficit of £12.8m reported against an agreed control total surplus for the year of £37.9m.

Quality Account 2019-20

- 3.12. The Committee supported the Quality Account 2019/20 for recommendation to Trust Board. The Committee were assured that the report incorporated all the requirements of the Quality Account Regulations in addition to further reporting requirements set by NHS Improvement /NHS England. Due to changing regulatory requirements in relation to the pandemic, there was no requirement for external assurance of the Quality Accounts and there was no longer a requirement for the Quality report to be incorporated into the Trust's Annual Report.
- 3.13. As part of the review of the Annual Reporting arrangements, the Committee received a management update in relation to the 2018/19 advice on the Quality Account in relation to Emergency Department quality data on the four hour standard. The Committee noted the new Standard Operating Procedures that had been created with input from clinicians that had led to sustainable improvement.

4. Internal Control and Risk Management

Corporate Risk Register (CRR) and Board Assurance Framework (BAF)

- 4.1. The Committee received an update on matters related to risk management. The Committee received the Covid-19 Risk Register, an update on the current review and refresh of the CRR and BAF and reflected further on the risk appetite paper shared with the Board on 13 May 2020.

Internal Audit Progress Report for 2019/20, Tracking of Internal Audit Recommendations and Plan for 2020/21

- 4.2. The Committee received the report that detailed KPMG's progress against the Internal Audit plan for 2019/20. Significant Assurance reports included: Serious Incidents; Workforce Disability Equality Standards and Key Financial Systems. Partial Assurance reports included: Business Continuity and Disaster Recovery; DSP Toolkit and Cyber Action Plan.
- 4.3. The Committee reviewed a deep-dive report on the status and position of the Digital Review, including follow up on Business Continuity and Disaster

Recovery and DSP Toolkit and Cyber Action Plan. The purpose of this paper was to review the outstanding audit actions and the limited assurance reports. As part of this deep-dive, the Committee received an update on the progress against the five recommendations for Cerner contract management.

- 4.4. The Committee received the Annual Report from the Internal Auditors, KPMG. It noted that the Head of Internal Audit Opinion for 2019/20 was one of: 'Significant Assurance with minor improvements required'.
- 4.5. The Committee received the report that summarised the Trust's progress in implementing internal audit recommendations. At the July meeting there were two recommendations that were overdue for implementation. Of these recommendations, one was high priority, and one was low priority.
- 4.6. The Committee supported the Annual Audit Plan for 2020/21. This plan followed the item at the May meeting and outlined KPMG's proposed internal audit strategy for the period 2020/23. It also included the annual operational plan for the period 2020/21. It provides a strategic, objective and risk based analysis of the Trust's operations.

Counter Fraud

- 4.7. The Trust's Counter Fraud Specialist Advisors, TIAA, summarised the report that detailed activity carried out against the agreed Counter Fraud work plan in line with the Standards for Providers as set out by the NHS Counter Fraud Authority (NHS CFA). TIAA noted that they had received good support to mobilise. The Committee approved the proposed Risk Assessment and Annual Work Plan.
- 4.8. The Committee were briefed in July on the 2020/21 National Fraud Initiative which was about to commence.

5. Financial Governance

- 5.1. The Committee noted the progress of the implementation of the Fusion System as part of the NEP Consortia. Further reports would come to the next appropriate Audit Committee.
- 5.2. The Committee received the report that provided analysis of approved single tender waiver applications (inclusive of retrospective waivers) and a report that provided a summary of losses and special payments.
- 5.3. The Committee received a review of recommendations made following the National Costing Assurance Audit. This review provided assurance over the mandatory Reference Cost submission as part of the 2018/19 National Cost Collection. It also assessed the Trust's compliance with the requirements of the 2018/19 Healthcare Costing Standards which became

mandatory for the collection year 2018/19, as well as determining the progress of submitters in meeting the future requirements of the Costing Transformation Programme.

6. Other Updates on Existing Areas of Focus for the Committee

- 6.1. The Committee reviewed the Annual Review of Committee Effectiveness which summarised the activities of the Trust's Audit Committee for the financial year 2019/20 setting out how it has met its Terms of Reference and the key priorities for which the Committee has oversight of.
- 6.2. The Committee received the results of the Assurance Team review of the current status of accreditation and regulation across the Trust. The paper included an update of the accreditation data for 2019/20 and 2020/21 to date and an update on assurance reviews noted against legislation.
- 6.3. The Committee received a paper that summarised existing insurance arrangements across the Trust. This review would be further developed for review at the October meeting and recommendations for action would be proposed in due course if needed.
- 6.4. The Committee supported the Trust's application to renew its Directors' and Officers' Liability Insurance.
- 6.5. The Committee received the annual report on the Information Governance Data Security and Protection Toolkit which is due to be submitted by 30 September.

7. Key Risks Areas related to the Business of the Committee

- 7.1. The Board has been responsive to the impact of Covid-19 and need to adjust and reprioritise business. With this context, the Committee accommodated the need to adapt to the changing regulatory requirements and timelines related to the year-end reporting process and was assured that there was no adverse impact on year-end-reporting from the need to pause fieldwork in relation to a number of internal audit reviews.
- 7.2. The Committee noted in particular that the pause of the go-live date in relation to the Finance and Procurement Systems Modernisation Update had reduced the level of risk in respect of the procurement element and the potential for contingency plans to be required. The Committee noted that the system was now live.
- 7.3. The timely finalisation of the Annual Report and Accounts continues to be a risk that the Committee will maintain oversight of through 2020/21.

8. Key Actions Agreed

- 8.1. The Committee would continue to monitor the risk related to the timely completion of internal audit actions.
- 8.2. The Committee would receive an updated recommendation and timescale for the Part A element of the Medicines Management internal audit recommendation, which relates to swipe card access, so that it is appropriate in the current context.
- 8.3. The Committee have recommended that a session on risk management is held at a Board Seminar.
- 8.4. The Committee would receive an update on the review of the Trust's insurance arrangements.

9. Recommendations

- 9.1. The Trust Board is asked to note the contents of this report.