

Trust Board Meeting in Public: Wednesday 14 July 2021

TB2021.61

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.

Recommendations

2. 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 21 April, 24 May and 30 June 2021. In addition a reading session for the Annual Report and Accounts on 14 May.
- 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. Annual Report and Accounts

- 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 2020/21. The Annual Report and Accounts 2019/20 were approved by Board on 26 May and have been submitted to be laid before Parliament.
- 3.2. The Committee reviewed the draft statutory accounts prepared for the financial year 2020/21 at the April and May meetings. The Committee noted that the accounts had been prepared in accordance with the National Health Services Act 2006.
- 3.3. The Committee reviewed the report on the representations from management and those charged with governance to the Trust's 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.
- 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.

4. Audit and Counter Fraud

Digital Limited Assurance Reports

- 4.1. The Committee had the opportunity to discuss in detail two limited assurance audits relating to digital issues received since its last meeting, with the Chief Digital and Partnership Officer available to comment on key issues. This related to audits on:

- Data Security & Protection Toolkit / Cyber
- COVID 19 Cyber and Information Security

- 4.2. Assurance was taken from the large body of work that was being undertaken to address the issues identified and it was suggested that controls be stress tested at the Risk Committee. Training compliance was noted to be a particular issue of concern and the Committee asked to be updated further on actions to address this.
- 4.3. The Committee will receive the Information Governance Annual Submission for assurance at its October meeting and asked to receive a further update on progress at that stage.

Internal Audit Progress Report and Tracking of Internal Audit Recommendations

- 4.4. The Committee received KPMG's significant assurance report on Freedom to Speak Up and noted that the approach to finalising and receiving the remaining outstanding KPMG reports would be confirmed.
- 4.5. Audit Committee received and approved an updated Internal Audit Plan from BDO, noting that amendments might be agreed if additional items needed to be incorporated. Since the last meeting BDO had been meeting with members of the executive team to finalise elements of the plan.
- 4.6. BDO's Progress Report and Follow Up Report were also received by the Committee. Members of the Committee welcomed the improved transparency and rigor with which the implementation of recommendations was tracked and with which revised timescales for these were agreed. The Committee approved an updated process for review and approval of internal audit recommendations proposed by BDO.

External Audit

- 4.7. The Committee heard that Mazars would be issuing their Annual Auditor's Report and Audit Certificate in July and that this would be presented to the Council of Governors prior to the Annual Public Meeting.
- 4.8. It was noted that a meeting was being scheduled to assess learning from the 2020/21 external audit process from both OUH and other organisations. It was agreed that a report on the key lessons would be brought to the Committee's next meeting.
- 4.9. The Audit Committee also supported a process to ensure that an external auditor was in place for the 2022/23 financial year for recommendation to the Council of Governors. It was noted that external auditors for NHS Foundation Trusts were appointed by the Council of Governors and that the Audit Committee supports the Council of Governors to determine and deliver the process for appointing the external auditor.

Counter Fraud

- 4.10. The Trust's Counter Fraud Specialist Advisors, TIAA, summarised the report that detailed activity carried out against the agreed Counter Fraud work plan for the period 14 April – 16 June 2021.
- 4.11. The report included the rating for each NHS Requirement as submitted by the Trust in respect of the Government Counter Fraud Functional Standards Return on 30 May 2021 and it was noted that the overall green rating was a significant achievement in the context of various new elements that had been included in the standards.
- 4.12. Ongoing work to strengthen controls in relation to expenses and bank staffing was noted and it was agreed that an update on this would be brought to a future meeting.
- 4.13. The Committee also undertook a deep dive to explore the way in which joint working between the HR team and counter fraud advisors operated. Specific assurance was also provided regarding actions to address recommendations that had emerged from a previous counter fraud case.
- 4.14. Audit Committee members were pleased to be able to take significant assurance from evidence of a highly effective and significantly strengthened working relationship between the two teams.

5. Risk, Assurance, Governance and Regulation

Implementation of Digital Innovations during the COVID-19 Pandemic

- 5.1. The Committee undertook a deep dive to seek assurance that an effective risk management process was in place for the implementation of these

changes. Key learning was noted to be in relation to supplier management, identity management, asset management and policy changes.

- 5.2. The Committee considered how agile approaches to work could be maintained after the pandemic and be seen across the Trust and whether a more agile approach would require the Trust to take more risks in certain areas.

Quality Account 2020/21

- 5.3. The Committee recommended the formal approval of the Quality Account for 2020/21 following previous review of the document by the Integrated Assurance Committee.

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

- 5.4. The updated Board Assurance Framework and Corporate Risk Register for 2021/22 was received which included a proposed schedule of reporting for strategic themes and information in relation to the 'Close to Home' strategic theme review and BAF reporting.
- 5.5. The improved clarity of this reporting was noted by the Committee and the approach to scheduling key themes for attention and different meetings was supported. The focus on gaps on controls and assurance was regarded as being very helpful.

Database of Accreditation and Regulation

- 5.6. The Committee received the Database of Accreditation and Regulation which provided the Committee with the results of the Assurance Team review of the status of accreditation and regulation across the Trust.
- 5.7. It was noted that the impact of Covid-19 had been that some services have had their inspection visits postponed.

6. Financial Governance

- 6.1. The Committee received an update on the Trust's litigation exposure and noted that in the future similar reporting would be received annually as part of the year-end process.

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

- 7.1. Risks related to the recommendations from the limited assurance audits related to digital were noted, particularly in relation to information governance training compliance.

- 7.2. The need to clarify arrangements for the completion of outstanding KPMG reports in completing the transition between internal audit providers was noted.
- 7.3. The Board Assurance Framework that is received at each meeting of the Committee highlighted potential gaps in control and assurance and the Committee would receive further assurance that actions were in place to address these gaps through future reports.

8. Key Actions Agreed

- 8.1. The Committee would receive the Information Governance Annual Submission for assurance at its October meeting and would be further updated on progress against the recommendations for the two digital limited assurance audits at that stage.
- 8.2. The Committee will receive a report on key lessons from the 2020/21 external audit process at its next meeting.
- 8.3. It was agreed that an update on work to strengthen controls in relation to expenses and bank staffing would be brought to a future meeting.
- 8.4. The process to ensure that an external auditor was in place for the 2022/23 financial year would be recommended to the Council of Governors for approval.

Recommendations

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