

Trust Board Meeting in Public: Wednesday 10 March 2021

TB2021.23

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

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**Status:**       **For Information**

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

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**Board Lead:**   **Committee Chair**

**Author:**       **Katy White, Corporate Governance Manager**

**Confidential:**   **No**

**Key Purpose:**   **Assurance**

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### **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

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### 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 a meeting on 27 January 2021.
- 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. Audit and Counter Fraud

#### Internal Audit Progress Report and Tracking of Internal Audit Recommendations

- 3.1. The Committee received the report that detailed KPMG's progress against the Internal Audit plan. Since the last meeting KPMG had continued to hold meetings with members of the Executive to discuss emerging issues/risks to ensure the audit plan for 2021/22 continued to address key risks.
- 3.2. Since the last Audit Committee the Statutory and Mandatory Training internal audit report had been finalised and received partial assurance with improvement required. KPMG presented highlights from this report. The Committee was assured by the Executive that the issues raised within the report were being addressed. The Committee would be kept updated on progress through the internal audit recommendation tracker.
- 3.3. The Committee was advised that reporting and sign off was being finalised in relation to the following reviews which would be presented at subsequent Committee meetings:
  - 3.3.1. COVID-19: Cyber and Information Security - Partial assurance with improvement required
  - 3.3.2. Key Financial Systems - Significant assurance with minor improvement opportunities

- 3.3.3. Divisional Governance – Outcome TBC
- 3.3.4. Corporate Governance – Outcome TBC
- 3.3.5. BAF and Risk Management – Outcome TBC
- 3.4. The Committee acknowledged the current pressures on the Trust in relation to the COVID-19 response and recovery. The Committee were advised that the internal audit plan included sufficient internal audit reviews for KPMG to provide the Head of Internal Audit Opinion. There was confidence that even with potential delays in relation to the pandemic, the reviews already conducted and those planned and in progress would give sufficient evidence and continue to comply with the relevant internal audit standards for the NHS and would allow the Internal Auditors to issue the Head of Internal Audit opinion in April 2021. There was commitment from both KPMG and the Executive to complete audit reviews and to achieve a strong end of year position.
- 3.5. It had previously been reported that the internal audits on Safer Surgery and Medicines Management – Theatres that the internal audit had been planned for had been impacted by COVID-19 in relation to the ability to conduct on-site fieldwork. It had now been agreed that fieldwork in relation to these reviews would be remote and there would be no impact on the Internal Audit Plan.
- 3.6. The Committee was advised that two additional reviews were currently being discussed: Financial Forecasting and Key Learnings from the COVID-19 Response.
- 3.7. The Committee received the regular report that summarised the Trust's progress in implementing internal audit recommendations. There were 2 recommendations that were due for implementation. Of these 2 recommendations, one was high priority, and one was low priority. The Committee were advised that that progress had been made in relation to the high priority recommendation (Medicines Management) and this recommendation was likely to be closed prior to the next meeting following agreement by the executive lead and KPMG.
- 3.8. The Committee received a benchmarking report that included a summary of a benchmarking study with 27 Healthcare Organisations which assessed current performance against a selection of mandatory assertions within the Data Security and Protection Toolkit (DSPT). This report would be discussed at the April meeting.

### **External Audit**

- 3.9. The Committee received the external audit progress report and the External Audit Strategy Memorandum which summarised the audit

approach for the year ending March 2021 and highlighted significant audit risks and areas of key judgements.

- 3.10. The Committee was pleased to see that in relation to Value for Money arrangements that there had been no significant weaknesses or recommendations identified from the planning work to date that External Audit needed to report to the Audit Committee.
- 3.11. The Committee heard that the new Code of Audit Practice (the Code) had changed the way in which findings are reported in relation to Value for Money (VFM) from 2020/21. The external auditors are still required to be satisfied that the Trust has proper arrangements in place and to report in the auditor's report where significant weaknesses in arrangements are identified. The Code requires the report to be structured under three specific criteria: financial sustainability, governance and improving economy, efficiency and effectiveness.
- 3.12. The Committee heard about the COVID-19 working arrangements and the impact on the auditor's programme of work. Current indications were that the plan was on track for completion in line with timetable.
- 3.13. NHSE/I had confirmed that there was no requirement to obtain external auditor assurance on the 2020/21 Quality Report.

### **Counter Fraud**

- 3.14. 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 16 October – 15 January 2021. Of particular note was the preparatory work for the NHSCFA Fraud Impact Assessment.

## **4. Risk, Assurance, Governance and Regulation**

### **Production of the Annual Report 2020/21**

- 4.1. The Committee received an update on the timetable and process for the preparation of the Annual Report. This report gave the Committee assurance that there had been developments in the approach to publication in relation to the lessons learned from the previous production.
- 4.2. The Committee agreed that, given the pressures on the trust this year, the Trust would produce a report to satisfy the minimum legal requirements and not produce an external communications style report. The overall responsibility for completion of the report would sit with the Chief People Officer.

**Draft Governance Statement**

- 4.3. The Committee received a report that outlined the process for the development of the Governance Statement and the key areas which impacted on the governance procedures and systems during the year to be considered as part of the Annual Governance Statement. This was noted to be on track for completion within the agreed timelines.

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

- 4.4. The Committee received an update on matters related to risk management, noting the current position of the Corporate Risk Register which reflected recent discussions at the Trust Management Executive and the Integrated Assurance Committee.
- 4.5. The Committee agreed that there was now increased clarity about known gaps in control and gaps in assurance and the Committee asked that the next report focused on outlining actions to be taken to address these gaps.

**Database of Accreditation and Regulation**

- 4.6. The Committee received the Database of Accreditation and Regulation that provided the Committee with the results of the Assurance Team review of the current status of accreditation and regulation across the Trust.

**5. Financial Governance**

- 5.1. The Committee received a paper that detailed the accounting policies the Trust would adopt to determine the 2020/21 Annual Accounts, and the judgements and material estimates which will be required in order to arrive at the final reported position.
- 5.2. The Committee received an update on progress against the actions agreed in response to the findings of the Costing Assurance Audit 2019-20, which reviewed the 2018-19 data submissions for the National Cost Collection (formerly known as Reference Costs).
- 5.3. The Committee received the report that provided analysis of approved single tender waiver applications (inclusive of retrospective waivers) for the period 1st October to 31 December 2020.

**6. Key Risks Areas related to the Business of the Committee**

- 6.1. The Committee would continue to monitor the impact of the COVID-19 response and recovery on matters within the Committee's remit, including the implementation of the Internal Audit Plan.

- 6.2. The timely finalisation of the Annual Report and Accounts continues to be a risk that the Committee will maintain oversight of through 2020/21.
- 6.3. 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.

## **7. Key Actions Agreed**

- 7.1. The Committee would continue to monitor the risk related to the timely completion of internal audit actions.
- 7.2. The Committee would receive early sight of any areas of potential concern in relation to the Value for Money conclusion.
- 7.3. The scheme of business would be reviewed to ensure that clinical audits were appropriately reflected and aligned with the work of Integrated Assurance Committee.
- 7.4. A 'reading session' would be planned to review the Annual Report and Accounts prior to final review by the Committee and Trust Board.
- 7.5. A deep dive would be planned for the next meeting about the implementation of digital innovations during COVID-19, including lessons learned. This deep dive would be from a risk management perspective.

## **Recommendations**

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