

Cover Sheet

Trust Board Meeting in Public: Wednesday 28 September 2022

TB2022.086

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

Status: **For Information**

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

Board Lead: **Committee Chair**

Author: **Laura Lauer, Deputy Head of Corporate Governance**

Confidential: **No**

Key Purpose: **Assurance**

Audit Committee Chair's Report

1. Purpose

- 1.1. As a Committee of the Trust Board, the Audit Committee provides a regular report to the Board on the main issues raised and discussed at its meetings.
- 1.2. Since the last report to the Board held in public, the Audit Committee had met on 8 June and 29 June 2022. In addition, a reading session for the Annual Report and Accounts was held on 26 May 2022.
- 1.3. 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.

2. Annual Report and Accounts

- 2.1. 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 2021/22. The Annual Report and Accounts 2021/22 were approved by Board on 15 June 2022 and were laid before Parliament on 4 July 2022.
- 2.2. The Council of Governors were briefed at their meeting on 20 July 2022 on the assurance provided by the Audit Committee's scrutiny of the Annual Report and Annual Accounts. The Auditor's Annual Report 2021/22 was presented to the same meeting by Mr Suresh Patel, Partner at Mazars, the Trust's external auditors.
- 2.3. The committee reviewed the draft statutory accounts prepared for the financial year 2021/22.
- 2.4. The Committee reviewed the report on the representations from management and those charged with governance to the Trust's external auditors, Mazars.
- 2.5. A detailed and holistic review of the Annual Report was conducted during a focused reading session and in the 8 June 2022 meeting. The Committee noted changes mandated by the 2021/22 NHS Foundation Trust Annual Reporting Manual. Following the Committee's review, a number of amendments were made to the draft Annual Report to provide clarity and ensure readability.
- 2.6. The Committee reviewed the evidence presented in support of income disclosures as required by section 43(2A) of the NHS Act 2006 and endorsed the conclusion that non-NHS income had not resulted in significant interference with the Trust's principal purpose.

- 2.7. 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. Audit and Counter Fraud

Internal Audit

- 3.1. The Committee considered the Internal Audit Report and Head of Internal Audit Opinion. The Committee noted that for 2021/22, the Head of Internal Audit Opinion provided the Trust with a rating of Moderate assurance that there was a sound system of internal control, designed to meet the Trust's objectives and that controls were being applied consistently. The Committee noted that BDO used a different scale of ratings to that used by the previous internal auditors and was satisfied that the change in terminology did not represent a reduction in assurance.
- 3.2. Following Executive review, the Committee approved two amendments to the Internal Audit plan for 2022/23:
- An additional audit to accommodate an NSHEI-mandated audit on compliance with the HFMA checklist; and
 - Provision of additional capacity to strengthen assurance on the resilience of those core areas which formed the Head of Internal Audit Opinion.
- 3.3. The Committee noted that there were no overdue recommendations in relation to internal audit.

External Audit

- 3.4. The Trust's external auditors, Mazars, presented the Audit Completion Report 2021/22. Mazars confirmed that there were no material findings to report and that the audit had been conducted with good engagement and appropriate challenge. A qualified opinion was issued on the basis of a historic limitation of scope dating from 2020/21. Due to the COVID-19 pandemic, Mazars had not been able to attend physical inventory counts in 2020/21. This impacted their ability to obtain sufficient appropriate audit evidence about the existence and condition of the inventory balance held by the Trust at 31 March 2021 and consequentially the brought forward value of stock for 2021/22.
- 3.5. The Committee noted there were no high- or medium-level internal control recommendations.
- 3.6. The Auditor's Annual Report 2021/22, including the Value for Money Assessment was received by the Committee. The report confirmed Mazars'

opinion that no actual significant weaknesses had been identified in relation to the three reporting criteria: Financial sustainability, Governance, or Improving economy, efficiency and effectiveness. No recommendations had been made.

- 3.7. The Committee reviewed the draft Management Representation Letter and the two specific representations requested this year. There was one new specific representation in relation to the Trust's assessment of the potential impact of Russian forces entering Ukraine. As in 2020/21, there was a specific representation in respect of the impact of the COVID-19 pandemic on the financial statements. The representation required in relation to Brexit was no longer required.
- 3.8. The Committee was assured that there were no significant or material transactions with Russian or Ukrainian interests that represented a risk to disclosures made within the accounts.

Counter Fraud

- 3.9. The Trust's Counter Fraud Specialist Advisors, TIAA, updated the Committee on their plans to raise and measure fraud awareness across the Trust.
- 3.10. TIAA presented a process for tracking and reporting review recommendations; this was aligned with the BDO process already in use.
- 3.11. The Committee approved the process for tracking and reporting Counter Fraud recommendations and suggested that it be presented in dashboard format.

4. Risk, Assurance, Governance and Regulation

DSP Toolkit Submission

- 4.1. The Committee received assurance that the Trust would make a compliant submission by the deadline of 30 June 2022. Members welcomed this and considered how the Trust's training compliance could be further improved.

Board Assurance Framework and Corporate Risk Register

- 4.2. The Board Assurance Framework and Corporate Risk Register for 2022/23 was received by the Committee, along with an update on work being undertaken across the Trust to adopt a new risk register system.

Review of Accreditation, Regulation and Legislation

- 4.3. 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. Financial Governance

- 5.1. The Committee was updated on the use of costing data. It noted that two new data sets had been mandated to support National Cost Collection submissions and received assurance that the Trust had a robust process in place to make those returns.
- 5.2. Members were briefed on early-stage work on the use of data to support internal decision-making.

6. Key Actions Agreed

- 6.1. The Committee recommended that the Trust Board approve the Annual Report and Accounts, including Annual Governance Statement and Management Representation Letter.
- 6.2. The Committee agreed it would undertake a Deep Dive on the principles of the new risk management framework and risk appetite.
- 6.3. The Committee requested a paper on how the Trust used data to inform internal decision-making, including some insight into how comparator institutions did this.

7. Recommendations

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