

Cover Sheet

Trust Board Meeting in Public: Wednesday 08 March 2023

TB2023.33

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**

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 22 February 2023.
- 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 Accounts

- 2.1. The Committee began its preparations for review of the Trust's Annual Accounts by considering:
 - 2.1.1. The Trust's internal timetable for assembling the information required for the Annual Report and Annual Accounts;
 - 2.1.2. The accounting policies and practice, judgements and material estimates for the 2022/23 annual accounts; and
 - 2.1.3. The process for producing the Annual Governance Statement.
- 2.2. The Chief Finance Officer provided a detailed explanation of NHS England guidance in relation to going concern; this differed from the international auditing standards applied by EY. To address the gap, the Committee reviewed the programme of work to be undertaken by the Trust to satisfy external audit on the Trust's cashflow position. EY confirmed that, while it would test the results of the work, u
- 2.3. The Committee requested that all issues relating to key judgements and material estimates be resolved by 31 March 2023.

3. Audit and Counter Fraud

Internal Audit

- 3.1. The Trust's internal auditors, BDO, presented four reports:
 - 3.1.1. IT Disaster Recovery (Design: Moderate Assurance; Effectiveness: Moderate Assurance);
 - 3.1.2. Payroll Spend Controls (Design: Moderate Assurance; Effectiveness: Moderate Assurance);

- 3.1.3. Clinical Research Network (Design: Substantial Assurance; Effectiveness: Substantial Assurance);
 - 3.1.4. Business Continuity Planning (Design: Substantial Assurance; Effectiveness: Moderate Assurance.
- 3.2. The Committee noted that the recommendations associated with each report were few in number and of low or medium priority.
- 3.3. An advisory report on the Trust's compliance with HFMA guidance on financial sustainability¹ as required by NHS England was considered by the Committee. BDO confirmed that they had verified the Trust's self-assessment. Further work to detail actions for questions at level 3 or below would be undertaken.
- 3.4. The Committee was briefed that the Trust's self-assessment had identified that cultural change would play an important role. In this context, it was noted that the responsibility for monitoring the action plan from the Trust's Financial Governance Review had been passed by Integrated Assurance Committee to the Audit Committee. Given the overlapping programmes of work, the Committee asked to see an integrated plan for monitoring both the HFMA and FGR actions.
- 3.5. The Committee reviewed updated action plans for two audits: Cyber Security and PFI and was assured that timescales were deliverable and action owners appropriate.
- 3.6. As part of its monitoring of KPIs, the Committee asked that BDO provide actual management response times to draft internal audit reports and management actions which should be within 10 days of the issue of the draft internal audit report.

External Audit

- 3.7. The Trust's external auditors, EY, presented progress to date, particularly regarding their review of opening balances as well as key judgements and material estimates.
- 3.8. The Committee was briefed on EY's audit culture and the impact of ISA (UK) 315.
- 3.9. Following discussion at the November meeting, the Committee received detailed assurance that work undertaken by EY for the Integrated Care System had not presented a conflict of interest.

¹ [Improving NHS Financial Sustainability: are you getting the basics right?](#), April 2022.

Counter Fraud

- 3.10. The Trust's Counter Fraud Specialist Advisors, TIAA, summarised activities undertaken across the Trust.

Deep Dive: Counter Fraud and Internal Audit

- 3.11. BDO and TIAA outlined the benefits of a close working relationship. As well as efficiency and reduction of duplication, it supported both to be more proactive in their planning.

4. Risk, Assurance, Governance and Regulation

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

- 4.1. The CRR and BAF were reviewed; the Committee noted the discussion in Integrated Assurance Committee about next steps.

Annual Review of Accreditation and Regulation

- 4.2. The Committee discussed the report, which had been updated to include regulatory activity by the Care Quality Commission.

Standing Financial Instructions

- 4.3. The Committee agreed to receive a review of the Standing Financial Instructions and Limits to Delegation Policy at its meeting in October 2023.

5. Financial Governance

- 5.1. The Committee received reports that provided analysis of approved single tender waiver applications (inclusive of retrospective waivers) and a summary of losses and special payments.

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

Use of Costing Data and GIRFT and Other Data Sources to Inform Internal Decision-making

- 6.1. The Committee received assurance that the work was being incorporated into the Trust's business case template and would be used to identify areas of improvement.
- 6.2. An annual update on this work, including benefits realised, was requested by the Committee.

7. Key Actions Agreed

- 7.1. EY and the Chief Finance Officer to confirm to the Committee when agreement was reached on key judgements and material estimates by 31 March 2023.
- 7.2. The Committee agreed to add an annual review of the Trust's use of Costing Data, GIRFT and Other Data Sources to its annual schedule of business.

8. Recommendations

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