

Audit and Assurance Committee Annual Report 2021/22

Introduction

The Audit and Assurance Committee is established under Board delegation with approved terms of reference aligned with the *Audit and Risk Assurance Committee Handbook*, published by the Department of Health.

The Audit and Assurance Committee was chaired by Graham Ward, a Fellow of the Institute of Chartered Accountants (England & Wales) with extensive financial expertise. The Committee membership comprises wholly non-executive directors with executives and others in attendance. Attendance at meetings is detailed below:

Graham Ward	7/7
Barbara Brady	6/7
Manjeet Gill	3/5
Steve Banks	2/2

According to the Terms of Reference, the Chief Executive and other executive directors are invited to attend the Audit and Assurance Committee meeting as and when required, but particularly when the Audit and Assurance Committee is discussing areas of risk or operation that are the responsibility of that director.

Objectives from 2021/22

The Committee's agreed objectives for 2021/22 were:

- Maintain the review and control processes currently in place, including ensuring that actions and process changes in response to internal and external audit recommendations have been implemented on a timely basis
 - This has been achieved by the Committee fulfilling its work plan and maintaining oversight of processes
- Complete the implementation of the actions identified in the Committee's maturity assessment action plan, and continue with an emphasis on working closely with the other sub-committees of board
 - The actions on the maturity assessment action plan are all complete

- Extra focus on the system/ICS to ensure the alignment of internal control processes with the Integrated Care System, Integrated Care Partnership and Primary Care Networks
 - The work on this has been delayed as the ICS legislation is not yet in place
- Maintain focus and review of the Register of Interests, and pursue further improvement in the compliance rate
 - The Register of Interests report is a standing item on the Committee agenda for each meeting – there is evidence of improving compliance across the Trust and details of progress are noted in the ‘Conduct and behaviour policies’ section below

Principal review areas

This annual report is divided into five sections reflecting the five key duties of the Committee as set out in the terms of reference.

1. Governance and internal control

The Committee reviewed relevant disclosure statements for 2020/21, in particular the Annual Governance Statement (AGS) together with the Head of Internal Audit Opinion, External Audit opinions (Financial and Quality Accounts) and other appropriate independent assurances and consider that the AGS is consistent with the Committee’s view on the Trust’s system of internal control. Accordingly, the Committee supported Board approval of the AGS.

The Committee has received update reports on Information Governance and members were pleased to note that the Data Security Protection Toolkit compliance had been maintained in 2021.

2. Internal audit

Throughout the year the Committee has worked effectively with internal audit to strengthen the Trust’s internal control processes. The Committee has also in year:

- Reviewed and approved the internal audit operational plan for 2022/23 and more detailed programme of work initially and then on an on-going basis to take into account the impact of the COVID-19 pandemic, while ensuring the provision of the internal audit service continued to be sufficient in supporting the Committee in fulfilling its role

- Considered the major findings of internal audit and are assured that the Head of Internal Audit Opinion and AGS for 2020/21 reflect any significant internal control issues
- Invited lead directors of any internal audit reports issued with Limited Assurance to attend Committee meetings, present the report and provide assurance that actions will be implemented within agreed timescales
- Worked with colleagues internally and externally to address deteriorating performance regarding the provision of evidence and the achievement of internal audit actions, and the impact of the pandemic on timely completion of actions
- Regular review of outstanding audit actions, and are assured that a robust progress monitoring process is in place

3. Counter Fraud Service

The Committee received regular progress reports on activity conducted as part of the agreed Counter Fraud Work Plan, including:

- Annual Report for 2020/21
- Updates on investigations
- Conflicts of Interest Policy and Declarations of Interest Register review
- Risk assessment in line with Counter Fraud Functional Standards

4. External audit

The Committee reviewed and agreed external audit's annual plan for 2021/22, noting that the Trust's main risk remains to be the valuation of land and buildings and that KPMG's audit focus this year is the implementation of IFRS 16 (leases) transition.

The Committee reviews and comments on reports prepared by external audit and welcomes their advice on areas of specific expertise.

5. Management

The Committee has continually challenged the assurance process when appropriate and has requested and received assurance reports from Trust management and various other sources both internally and externally throughout the year. This process has also included calling managers to account when considered necessary to obtain relevant assurance.

6. Annual Report and Accounts

The Committee received schedules and assurance of processes in place to satisfactorily produce the Annual Report, Quality Account and Financial Accounts.

As part of the year-end process and approval of the 2020/21 accounts for the Board for ratification, the Committee reviewed and took into account:

- Head of Internal Audit Opinion on both financial and non-financial matters
- External audit opinion on the accounts and value for money opinion
- Letter of Representation to external audit
- Going Concern assessment, to assure themselves of the effective financial and non-financial propriety of the Trust

The following key risks highlighted within the financial statements were noted:

- Valuation of Land and Buildings
- Fraud risk from expenditure recognition
- Fraud risk from revenue recognition
- Management Override of Controls
- Valuation of land and buildings

All of these were found by the auditors to be 'satisfactory'.

Other areas of focus

Conduct and behaviour policies

Regular reports of the Register of Interests compliance were received during the year, and it was noted that the number of non-compliant staff had decreased during the year (from 88 in March 2021 to 40 in March 2022). Committee members were assured by the focus in this area and the process in place.

Cost Control and Financial Governance reviews

Throughout the year the Committee received reports on Single Tender Waivers, Losses and Special Payments, gaining assurance on value for money and probity within controls.

Governance documents

A report of non-clinical policies reviews was received, and the process to address those past their review dates was agreed.

Other areas of assurance

The Committee received update reports on the Due Diligence Process for Future Suppliers, and Freedom to Speak Up arrangements, noting the consistent improvement against the FTSU index.

Also received was an assessment on the NAO Cyber and Information Security Good Practice Guide, and progress made in meeting the recommendations required to achieve full compliance.

In addition, the Committee received the Risk Committee and Procurement Annual Reports, and the Board Assurance Framework periodically to provide assurance on the review process.

Review of the effectiveness and impact of the Audit and Assurance Committee

The Committee has been active during the year in carrying out its duty in providing the Board with assurance that effective internal control arrangements are in place.

The Committee continued to meet throughout the pandemic with positive attendance from Committee members.

An annual Committee self-assessment, using the HFMA's NHS Audit Committee Handbook checklist, was completed by the non-executive director members of the Audit and Assurance Committee, from which no significant issues were identified.

The Committee participated in the well led review carried out by Grant Thornton, inviting the lead to observe the November Committee meeting, which resulted in very positive outcomes and feedback.

Cost/benefit analysis

It is not possible to accurately quantify the benefits of the work of the Committee during the year as it is impossible to determine the financial impact of risks mitigated and costs avoided, and the proportion of these that could be apportioned to the Committee work. However, the current and future costs associated with loss of reputation have been mitigated as a result of the work performed by the Committee.

Conclusion

The Committee is of the opinion that this annual report is consistent with the draft AGS, Head of Internal Audit Opinion and the external audit review and there are no matters that the Committee is aware of at this time that have not been disclosed appropriately.

The Committee has discharged its responsibilities for scrutinising the risks and controls which affect all aspects of the organisation's business.

Objectives

The Committee's objectives for 2022/23 are:

- Maintain the review and control processes currently in place, including a strengthened focus on internal and external audit actions implementation tracking and improving the implementation compliance rate
- Ensure the alignment of internal control processes with the Integrated Care System, provider collaboratives and other strategic partnerships
- Maintain focus and review of the Register of Interests, and pursue further improvement in the compliance rate

Graham Ward

Audit and Assurance Committee Chair

March 2022