

## Audit and Assurance Committee Annual Report 2023/24

### 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 membership comprises wholly non-executive directors with executives and others in attendance.

The Committee was chaired by Graham Ward, a Fellow of the Institute of Chartered Accountants (England & Wales) with extensive financial expertise, until July 2023, after which he remained as a Committee member with Manjeet Gill becoming Committee Chair.

Other changes to membership were made, commencing from the September meeting.

Attendance at meetings is detailed below:

Graham Ward	7/7
Manjeet Gill	3/4 (from September 2023)
Barbara Brady	2/3 (until July 2023)
Steve Banks	6/7
Andrew Rose-Britton	4/4 (from September 2023)

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 for 2023/24

The Committee's agreed objectives for 2023/24 were:

- Maintain the review and control processes currently in place, including a strengthened focus on internal audit actions implementation tracking and improving the implementation compliance rate

- This has been achieved by the Committee fulfilling its work plan and maintaining oversight of processes
- Maintain focus and review of the compliance rate of the Register of Interests
  - The Register of Interests report is a standing item on the Committee agenda for each meeting – there is evidence of significant improvement in compliance across the Trust and strengthened processes and procedures to address non-compliance; details of progress are noted in the ‘Conduct and behaviour policies’ section below
- Maintain oversight of Integrated Care System updates pertinent to the Trust and gain assurances from the ICB sub-committees
  - ‘Integrated Care System update’ is a standing agenda item for each Committee meeting, and the Committee received a report on ICS System Risk Management Arrangements at the January 2024 meeting
- Ensure the alignment of trust internal control processes with the outcomes of the Hewitt report on governance within Integrated Care Systems
  - Relevant controls are in place with the approval of the new Trust Strategy, and the establishment of the new Partnerships & Communities Committee with the role including “*assess key updates from strategic forums in the System*”, “*analyse gaps in partnerships arrangements and propose options for solutions*” and “*assess the impact of the Provider Collaborative at Scale and monitor the effectiveness of the Trust’s response*”
- Ensure Trust alignment of governance processes relating to provider collaboratives and other strategic partnerships
  - The Trust established a Partnerships & Communities Committee in November 2023, with the principal purpose of providing assurance that the Trust is progressing and developing partnerships to contribute to delivery of the Trust strategic objectives and to assess the priorities and benefits from strategic partnerships

## 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 2022/23, 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.

## 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 2024/25 and more detailed programme of work initially and then on an on-going basis to take into account the impact of operational pressures, 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 2022/23 reflect that no significant internal control issues were identified
- Invited lead directors of any internal audit reports issued with Limited or Moderate 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 under-performance regarding the provision of evidence and the achievement of internal audit actions, and the impact of operational pressures on timely completion of actions
- Regularly reviewed outstanding audit actions, and are assured that a robust progress monitoring process is in place - Committee members noted an improvement in compliance towards a 'Significant' Head of Internal Audit Opinion for this element

## 3. Counter Fraud Service

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

- Counter Fraud Annual Report for 2022/23 – presented in June 2023
- Updates on investigations (at each meeting)
- Conflicts of Interest reports and Declarations of Interest Register reviews at each meeting
- Periodic risk assessments in line with Counter Fraud Functional Standards

Committee members noted full compliance with the 2023 Counter Fraud Functional Standard Return.

## 4. External audit

The Committee reviewed and agreed the external audit annual plan for the 2023/24 accounts. An area of KPMG's audit focus this year is on arrangements for the PFI

transition to of IFRS 16 (leases), which will be fully adopted for the first time within the 2023/24 accounts.

The Committee reviews and comments on reports prepared by external audit and receives 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.

## 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 2022/23 accounts for the Board for ratification, the Committee reviewed and took into account:

- The Head of Internal Audit Opinion on both financial and non-financial matters
- External audit opinion on the accounts and value for money opinion
- Representation letter from the Chief Executive Officer to external audit
- Going Concern Statement, to assure themselves of the effective financial and non-financial propriety of the Trust

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

- Fraud risk from expenditure recognition – completeness and accuracy
- Management override of controls
- Valuation of Land and Buildings

The auditors have rebutted the significant risk relating to revenue recognition due to the nature of the revenue within the Trust.

## **Other areas of focus**

### Conduct and behaviour policies

Regular reports of the Register of Interests compliance were received during the year.

It was noted that the number of non-compliant staff had decreased during the year (to 51 in March 2024 from 96 in March 2023), reflecting the continued 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.

### Information Governance

The Committee has received update reports on Information Governance and members noted that from the Data Security Protection Toolkit (DSPT) Final Submission (June 2023), all standards were achieved, and the overall score was 'Standards Met'. The auditors undertook an audit of the 10 National Data Guardian Standards in the DSPT and provided an assessment of 'Substantial' for 7 standards and 'Moderate' for 3, giving an overall risk assurance of 'Moderate'.

### Governance documents

Reports of non-clinical policies reviews were received, and focus has been maintained to address those past their review dates. The number of overdue policies has significantly reduced during the year to 2 (from 7 in March 2023).

### Other areas of assurance

The Committee received updates on Risk Committee items for escalation, a Speaking Up Activity update, the Procurement Annual Report, and a Clinical Audit Planning Process report.

In addition, the Committee received a report on ICS System Risk Management Arrangements in January 2024, and the Board Assurance Framework bi-annually, to provide assurance on the review process.

HFMA Financial Sustainability Audit updates, detailing the progress against the action plan from the Trust's self-assessment, were received in April June and September 2023 and provided assurance on the process followed to ensure SFHFT was adequately addressing the areas for improvement.

### **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.

An annual Committee self-assessment was completed by the non-executive director members of the Audit and Assurance Committee, from which no significant issues were identified.

## **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 2024/25 are:

- Maintain the review and control processes currently in place, including a strengthened focus on internal audit actions implementation tracking and improving the implementation compliance rate
- Maintain focus and review of the compliance rate of the Register of Interests and timely reviews of non-clinical policies
- Maintain oversight of Integrated Care System updates pertinent to the Trust and gain assurances from the ICB sub-committees
- Ensure the alignment of trust internal control processes with the outcomes of the Hewitt report on governance within Integrated Care Systems
- Ensure Trust alignment of governance processes relating to provider collaboratives and other strategic partnerships

## **Manjeet Gill**

Audit and Assurance Committee Chair

March 2024