

## Audit and Assurance Committee Annual Report 2020/21

### 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	7/7
Manjeet Gill	7/7

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 2020/21

The Committee's agreed objectives for 2020/21 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
- Implement the actions identified in the Committee's maturity assessment action plan, with a particular emphasis on working closely with the other sub-committees of the Board
  - The actions on the maturity assessment action plan are almost all complete, with the remaining 3 (out of 30) actions due to be completed early in 2021/22

- Maintain focus and review of the Register of Interests
  - The Register of Interests report is a standing item on the Committee agenda for each meeting – details of progress are noted in the ‘Conduct and behaviour policies’ section below
- Undertake a peer review of the Audit & Assurance Committee process
  - Michael Killick (NED and Audit Committee Chair at Chesterfield Royal Hospital NHS FT) observed the 16<sup>th</sup> July 2020 Audit & Assurance Committee Meeting. After the meeting he thanked the Committee for the opportunity to observe and felt that the meeting went well, with good challenge and discussion throughout

## **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 has reviewed relevant disclosure statements, 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 supports 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.

### 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 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 (which was anticipated to be issued with a Significant Assurance rating) and AGS 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 recommendations will be implemented within agreed timescales
- Periodically reviewed outstanding audit recommendations, and are assured that a robust progress monitoring process is in place
- The Committee Invites lead directors to attend and report on progress where significant outstanding audit recommendations haven't been implemented within agreed timescales to provide explanations for the delays and report progress, with revised timescales, for implementation to be completed.

### 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
- Updates on investigations
- Conflicts of Interest Policy and Declarations of Interest Register review

### 4. External audit

The Committee reviewed and agreed external audit's annual plan. The Committee reviews and comments on reports prepared by external audit, and welcomes their advice on areas of specific expertise.

Members of the Committee formed part of the working group established to appoint the new auditor.

### 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.

The Committee also examines performance to ensure that the assurance mechanism within the Trust is fully effective and that a robust process is in place to ensure that actions falling out of external reviews are implemented and monitored by the Committee.

## 6. Annual Report and Accounts

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

As part of the year end process and approval of the 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 – the risk is that assets are incorrectly valued in the financial statements
- Recognition of revenue – the risk is that revenue is incorrectly recognised in the accounts when it should not be
- Recognition of expenditure – the risk is that expenditure is incorrectly excluded from the accounts when it should be included

### **Other areas of focus**

#### Conduct and behaviour policies

Regular reports of the Bribery Act and Register of Interests compliance were received during the year, and although the number of non-compliant staff had increased during the year (from 43 in March 2020 to 88 in March 2021), it was noted that this had been partly due to recruitment of additional Band 7+ staff. 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

Review of the Trust's Standing Orders, Standing Financial Instructions and Scheme of Delegation.

### Other areas of assurance

The Committee received reports on the Due Diligence Process for Future Suppliers and Non-clinical Policies Status. 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 Health Check self-assessment review 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 2021/22 are:

- Maintain the review and control processes currently in place, including a focus on improving the compliance rate of actions and process changes in response to internal and external audit recommendations implemented on a timely basis
- 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
- 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
- Maintain focus and review of the Register of Interests, and pursue further improvement in the compliance rate

**Graham Ward**

Audit and Assurance Committee Chair

April 2021