

Meeting Title	Board of Directors		
Date	10 March 2022	Agenda item	Bo.3.22.22

AUDIT COMMITTEE REPORT TO BOARD, 10 MARCH 2022

Presented by	Matthew Horner, Director of Finance		
Author	Barrie Senior – Non-Executive Director and Audit Committee Chairman		
Lead Director	Matthew Horner, Director of Finance		
Purpose of the paper	To provide an update regarding matters covered in the Audit Committee meeting on 1 February 2022		
Key control	Identify if the paper is a key control for the Board Assurance Framework		
Action required	To note		
Previously discussed at/ informed by	Details of any consultation		
Previously approved at:	Academy/Group	Date	

Key Options, Issues and Risks

See report attached

Analysis

See report attached

Recommendation

The Board is asked to note and derive assurance from this report.

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Risk assessment						
Strategic Objective	Appetite (G)					
	Avoid	Minimal	Cautious	Open	Seek	Mature
To provide outstanding care for patients			g			
To deliver our financial plan and key performance targets			g			
To be in the top 20% of NHS employers					g	
To be a continually learning organisation				g		
To collaborate effectively with local and regional partners					g	
The level of risk against each objective should be indicated. Where more than one option is available the level of risk of each option against each element should be indicated by numbering each option and showing numbers in the boxes.	Low		Moderate	High	Significant	
	Risk (*)					
Explanation of variance from Board of Directors Agreed General risk appetite (G)						

Benchmarking implications (see section 4 for details)	Yes	No	N/A
Is there Model Hospital data relevant to the content of this paper?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there any other national benchmarking data relevant to the content of this paper?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the Trust an outlier (positive or negative) for any benchmarking data relevant to the content of this paper?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Risk Implications (see section 5 for details)	Yes	No
Corporate Risk register and/or Board Assurance Framework Amendments	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Quality implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resource implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legal/regulatory implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Diversity and Inclusion implications	<input type="checkbox"/>	<input type="checkbox"/>
Performance Implications	<input type="checkbox"/>	<input type="checkbox"/>

Regulation, Legislation and Compliance relevance
NHS Improvement: (please tick those that are relevant) <input checked="" type="checkbox"/> Risk Assessment Framework <input checked="" type="checkbox"/> Quality Governance Framework <input checked="" type="checkbox"/> Code of Governance <input checked="" type="checkbox"/> Annual Reporting Manual
Care Quality Commission Domain: Choose an item.
Care Quality Commission Fundamental Standard: Choose an item.
NHS Improvement Effective Use of Resources: Choose an item.
Other (please state):

Relevance to other Board of Director's academies: (please select all that apply)			
People	Quality	Finance & Performance	Other (please state)
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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1 PURPOSE/ AIM

To provide an update regarding key matters covered in and relating to the Audit Committee meeting on 1 February 2022.

2 BACKGROUND/CONTEXT

The agenda of the meeting held on 1 February was driven by the 2021/22 Audit Committee Annual Workplan.

The key matters discussed, considered and from which, where appropriate, assurance was gained were:

- Internal Audit Progress Report, including:
 - Internal Audit Limited Assurance Reports
 - Consent
 - Fixed Term Contracts
 - ReSPECT (Recommended Summary Plan for Emergency Care and Treatment)
 - Process and Harm Free Care: nutrition and hydration
 - Internal Audit Significant Assurance Reports
 - Incident Reporting/Management Quality Oversight System
 - Hospital Acquired Infection
 - Patient Safety; Pressure Ulcers
 - Emergency Preparedness, Resilience and Response (EPRR)
 - Quality Assurance: Quality & Patient Safety Academy
 - Business and IT Continuity
 - Records Management
 - Internal Audit High Assurance Reports
 - Ockenden Report
 - Management of Patient Flow
- Assurance – key IT systems
- Data Quality Assurance
- Strategic Risk Register and Board Assurance Framework
- Financial Management Review
- External Audit Annual Plan 2021/22

3 RECOMMENDATIONS

The Board is asked to note and derive assurance from this report.

4 Appendices

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Report included overleaf

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Audit Committee Report to the Board, 10 March 2022

1. Introduction

The purpose of this paper is to inform the Board of Directors of the key matters discussed and considered during and in relation to the Audit Committee meeting held on 1 February 2022.

2. Key Matters discussed

- Internal Audit Progress Report
Internal Audit reported that, despite Covid pressures, good progress was being made in executing the 2021/22 Internal Audit Plan. 13 audits had been finalised since the Committee's November meeting:
 - Internal Audit Limited Assurance Reports
 - Consent
The objective of this audit was to provide assurance that the Trust obtains consent for the examination, treatment and (where relevant) involvement in research from all elective patients. A number of weaknesses were discovered, most notably with regard to the quality of consent forms completed by staff, and the lack of an annual audit programme to assess staff compliance with the Consent Policy. The inability of the Trust's Electronic Patient Record system to support consent documentation was noted. The Committee noted the range of improvements planned.
 - Fixed Term Contracts
The objective of this audit was to provide assurance as to the effectiveness of the controls in place for recruiting, managing and terminating fixed term contracted personnel. The audit was a management request from which two major recommendations arose, both relating to a need to strengthen controls relating to the extension of fixed term contracts.
 - ReSPECT (Recommended Summary Plan for Emergency Care and Treatment)
The objective of this audit was to assess arrangements and controls in place for the ReSPECT process (which is designed to create a summary of personalised recommendations for a person's clinical care in a future emergency in which they do not have capacity to make or express care choices). The audit resulted in three major recommendations, relating to topics already known to management and reflected in the Trust's risk register. A key weakness found was that the ReSPECT process is not yet

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supported by an electronic system and one which all relevant clinicians can access.

- **Process and Harm Free Care: nutrition and hydration**
The objective of this audit was to review arrangements for ensuring best practice across the Trust in nutrition and hydration. Robust arrangements were found with regard to many aspects of ensuring effective nutrition and hydration. Training in this area was found to have lapsed to some extent, due to Covid pressures. Levels of compliance with MUST (Malnutrition Universal Screening Tool) and STAMP (Screening Tool for Assessment of Malnutrition in Paediatrics) screening requirements were found not to be reliably recorded on the Trust's Electronic Patient Record system.

○ **Internal Audit Significant Assurance Reports**

- **Incident Reporting/Management Quality Oversight System**
The objective of this audit was to provide assurance that the Trust has adequate arrangements for reporting incidents and learning lessons from past incidents. The audit revealed relevant training activity being limited due to Covid pressures.
- **Hospital Acquired Infection (HAI)**
The objective of this audit was to provide assurance that the Trust has effective systems and processes to capture, document and communicate regarding hospital acquired infections. The audit confirmed that the Trust's policies and processes relating to HAI's are robust.
- **Patient Safety; Pressure Ulcers**
The objective of this audit was to provide assurance that the Trust has reasonable arrangements in place for the prevention and/or treatment of pressure ulcers. The audit resulted in only two minor recommendations, both of which were scheduled for completion before the end of February.
- **Emergency Preparedness, Resilience and Response (EPRR)**
The objective of this audit was to review arrangements for ensuring that the Trust has a robust EPRR plan in place. The audit indicated substantial compliance with the NHS England Core Standards relating to EPRR.
- **Quality Assurance: Quality & Patient Safety Academy**
The objective of this audit was to provide assurance that the Trust has effectively transitioned from operating a Quality Committee to a Quality & Patient Safety Academy. Internal Audit confirmed that this is indeed

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- the case whilst offering two moderate and four minor recommendations.
 - Business and IT Continuity
The objective of the audit was to provide assurance on business continuity and IT disaster recovery arrangements across the Trust. The review found generally effective arrangements and processes, but resulted in four moderate and three minor recommendations.
 - Records Management
The objective of this audit was to provide assurance that the Trust's records management system is fit for purpose and that records are managed safely and securely. The audit revealed that this is substantially the case. Only one minor audit recommendation was made.
 - Internal Audit High Assurance Reports
 - Ockenden Report
The objective of the audit was to provide assurance that the Trust has effective governance arrangements in place to monitor and report progress against the Essential Actions in the Ockenden Report (Emerging Findings and Recommendations from the Independent Review of Maternity Services at the Shrewsbury and Telford Hospital NHS Trust). The review found effective controls and processes in place and generated no audit recommendations.
 - Management of Patient Flow
The objective of this audit was to provide assurance that the Trust has effective systems and processes which manage the flow of patients, ensuring that they are robust in best utilising assets whilst managing the risk of patient harm. High assurance ratings were attributed to all four control objectives subjected to audit.
- The Committee considered and approved:
- The deferral of three planned audits into 2022/23
 - Tackling Health Inequalities
 - Ward to Board Assurance and Risk Escalation
 - Mental Capacity Act
 - The cancellation of three planned audits
 - Recruitment Approval Process
 - IT Benchmarking Resources
 - Performance Management Framework
 - The addition of one audit – Cyber Security

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- Assurance – key IT systems

In pursuit of assurance regarding the adequacy of controls to ensure the reliability, availability and security of the Trust’s key IT applications, the Committee received an update from the Chief Digital & Information Officer.

The Committee considered and was satisfied with the rationale for the identification of the 11 most important IT applications relied upon by the Trust.

The Committee noted the appointment of an external IT consultancy firm tasked with evaluating the controls within and surrounding the 11 key applications. Their report will be submitted to the Committee’s 12 April meeting.

The Committee referred back to the examples of IT application functional deficiencies highlighted by recent Internal Audit reviews (see above) and suggested that the Board should review IT application functional deficiencies and plans to rectify them.

- Data Quality Assurance

The Committee reflected on a finding from the Committee’s annual self assessment that it felt that it had reassurance but not robust assurance with regard to data quality across the Trust. It noted that the ‘assurance – key IT systems’ work referred to above should go some way to address this. The Committee suggested that data quality assurance should be pursued in an NED discussion forum and thereafter at a Board Development and/or Board meeting. The Committee will revisit the adequacy of data quality assurance at its April meeting.

- Strategic Risk Register(SRR) and Board Assurance Framework(BAF)

The Committee reflected upon the recent improvements in risk management procedures and in the content of the SRR and BAF. The Committee observed that the SRR is subject to scrutiny by ETM, Academies and the Board and that the BAF is subject to scrutiny by ETM and the Board.

The Committee noted that a new BAF format is shortly to be introduced and populated. The Committee will review the revised risk management and BAF processes, including the assurance role of the academies, at its April meeting and present its findings and recommendations to Board.

- Financial Management Review

In response to the recent “finance scandal” at the University Hospitals of Leicester NHS Trust, Audit Yorkshire, our Internal Audit provider, has provided a questionnaire as the basis for assessing the adequacy of controls covering:

1. Governance and Management Culture
2. Culture within Finance
3. Culture beyond Finance
4. Financial Management and Forecasting

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5. Budget Setting and Management
6. Financial Reporting
7. Financial Accounting
8. Cost Improvement Programme

The Committee was reassured by the progress made by executive management in completing the self assessment questionnaire. The evaluation of 'Culture beyond Finance', 'Cost Improvement Programme' and certain controls within 'Budget Setting and Management' remains to be completed, delayed by Covid pressures. For the controls that have been evaluated, the current count of high, medium and low assurance ratings is as follows:

- High 47
- Medium 20
- Low 1

The implications of 'medium' and 'low' assurance ratings attributed to a control are to be evaluated and an action plan created and agreed.

Internal Audit and External Audit are to be invited to participate in reviewing and challenging the completed assessment checklist and the associated action plan.

- External Audit Annual Plan 2021/22

The Committee received and considered Deloitte's Planning Report for the external audit for the year ending 31 March 2022.

Key points noted:

- A proposed audit materiality level of £10.2m, being 2% of forecast revenue (2020/21 £9.9m)
- Individual misstatements discovered of more than £300k to be reported to the Audit Committee (2020/21 £300k)
- Audit scope to be as 2020/21, covering financial statements, value for money and annual governance statement. The audit of the Quality Account is expected, as last year, not to be required.
- Key audit risks are, as last year:
 - Recognition of capital expenditure
 - Management override of controls (universally required by Auditing Standards)

3. Other matters

3.1 Matters raised in the meeting to escalate to Corporate Risk Register

None.

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3.2 Other matters to escalate to the Board of Directors

None.

4 Recommendation

The Board of Directors is asked to note this report and the reassurance and assurance that it provides.

Barrie Senior
Audit Committee Chairman

2 March 2022