

Meeting Title	Board of Directors		
Date	9 March 2023	Agenda item	Bo.3.23.22

AUDIT COMMITTEE REPORT TO BOARD, 9 MARCH 2023

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 and relating to the Audit Committee meeting held on 7 February 2023		
Key control			
Action required	For assurance		
Previously discussed at/ informed by			
Previously approved at:		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

Risk assessment

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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 checked="" type="checkbox"/>	<input type="checkbox"/>
Is there any other national benchmarking data relevant to the content of this paper?	<input type="checkbox"/>	<input checked="" 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 checked="" 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 type="checkbox"/> Risk Assessment Framework	<input type="checkbox"/> Quality Governance Framework
<input type="checkbox"/> Code of Governance	<input type="checkbox"/> Annual Reporting Manual
Care Quality Commission Domain: Well Led	
Care Quality Commission Fundamental Standard: Good Governance	

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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 7 February 2023.

2 BACKGROUND/CONTEXT

The agenda of the meeting held on 7 February was driven by the 2022/23 Audit Committee Annual Workplan.

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

- Internal Audit Progress Report
- Internal Audit 2023/24 Planning Process
- Improving Financial Sustainability Internal Audit Report
- Internal Audit Effectiveness Review
- Internal Audit Recommendations Benchmarking Report
- Counter Fraud Progress Report
- 2022/23 Annual Accounts Update
- Proposed changes to Scheme of Delegation and Standing Financial Instructions
- Pathology Joint Venture Annual Accounts 2021/22
- Assurance regarding compliance with the Risk Management Strategy
- Audit Committee Annual Self Assessment
- Audit Committee Work Plan 2023/24
- Bi-annual private meeting with Internal Audit

3 RECOMMENDATIONS

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

4 Appendices

Report included overleaf.

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Audit Committee Report to the Board, 9 March 2023

1. Introduction

The purpose of this paper is to inform the Board of Directors of the key matters discussed and considered, in accordance with the Audit Committee's 2022/23 workplan, during and in relation to the Committee meeting held on 7 February 2023.

2. Key Matters discussed

- Internal Audit Progress Report**

The Committee received and considered 13 internal audit reports issued since the Committee's October 11 meeting. The Committee noted the further batch of good internal audit results: four reports providing high assurance, six providing significant assurance, and three providing confirmation of good progress but where an assurance rating was not appropriate:

BH/10/2023 Pharmacy and Medicine Management: Controlled Drugs – Significant Assurance

The objective of this audit was to provide assurance that the key risks surrounding controlled drugs are being managed in line with controlled drug legislation and guidance.

BH/11/2023 Non-Clinical Appraisals – Significant Assurance

The objective of this audit was to provide assurance that the Trust has a robust appraisal process in place, with governance arrangements for monitoring the results and mechanisms to monitor the quality of appraisals.

BH/12/2023 Expenditure with Independent Sector – Significant Assurance

The objective of this audit was to provide assurance that the Trust has adequate arrangements in place to negotiate and agree contracts, and that there is on-going monitoring to ensure that the contractual activity is being delivered.

BH/13/2023 Improving NHS Financial Sustainability – Assurance rating not appropriate

See below.

BH/14/2023 Internal Audit Recommendations Benchmarking – Assurance rating not appropriate

See below.

BH/15/2023 Financial Planning and Budget Setting – High Assurance

The objective of this audit was to provide assurance that the Trust has a robust process in place for financial planning and budget setting with subsequent monitoring mechanisms to ensure that plans are met.

BH/16/2023 Estates Return Information Collection – High Assurance

The objective of this audit was to provide assurance that the Trust has a robust process and governance arrangements in place for the timely collection, analysis, validation, sign-off

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and submission of relevant data relating to the costs of providing, maintaining and servicing the Trust's estate, in accordance with NHS Digital guidelines.

BH/17/2023 Statutory Regulation Identification and Compliance Management – Vehicle Safety – High Assurance

The objective of this audit was to provide assurance that effective systems and processes are in place and being adhered to with regards to Trust vehicle safety.

BH/18/2023 Medical Devices – Significant Assurance

The objective of this audit was to provide assurance that there are adequate systems and controls in place for the management of medical devices within the Trust. The audit noted the increased level of control that will flow from the imminent implementation of the Scan4Safety tracking system.

BH/19/2023 Safeguarding – Domestic Violence – Significant Assurance

The objective of this review was to provide assurance that the Trust has effective systems and processes in place to ensure the management and operation of early intervention procedures within the Trust in relation to domestic violence, whether affecting patients or staff.

BH/20/2023 IFRS16 Effectiveness & Risk Management – High Assurance

The objective of the review was to assess the progress made by the Trust in implementing IFRS16 (International Financial Reporting Standard 16 – Leases) which specifies how leases are to be recognised, measured, presented and disclosed in annual financial statements/accounts. The audit found that robust controls are in place and that the Trust is on track to meet the implementation deadline.

BH/21/2023 Ionising Radiation Regulations – Significant Assurance

The objective of this audit was to provide assurance that the Trust has appropriate and effective controls in place to ensure compliance with its obligations as required under IRR17 [Ionising Radiations Regulations 2017] and IRMER17 [Ionising Radiation (Medical Exposure) Regulations 2017].

BH/22/2023 Follow-Up of Internal Audit Recommendations – Assurance rating not appropriate

The Committee noted the further progress that has been made in implementing and clearing outstanding internal audit recommendations.

The Committee noted that further effort is still required to improve the 'rationale for delay' and 'latest update' information logged against individual outstanding audit recommendations in the recommendations status analysis monitored by executive management and presented to the Committee.

The Committee considered and approved the deferral or replacement of seven internal audit reviews originally planned for Q3.

The Committee was reassured that plans and resources are in place to enable completion of the 2022/23 Internal Audit Plan (as amended and approved) within the required deadline.

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- **Internal Audit 2023/24 Planning Process**

The Committee noted the progress being made to develop and finalise the Internal Audit Plan 2023/24. This will be drawn from a formal risk based Audit Needs Assessment covering 2023-2026, in accordance with Public Sector Internal Audit Standards. The Committee noted recent guidance from the Institute of Internal Auditors encouraging six monthly reviews/refreshes on internal audit plans, better to reflect and respond to evolving issues, changes, etc.

The Committee will receive, consider and, if appropriate, approve the 2023/4 plan in its April 18 meeting.

- **Improving Financial Sustainability Internal Audit Report**

In April 2022 the Healthcare Financial Management Association (HFMA) produced and circulated a briefing, together with a detailed checklist, focussing on assessing and, where appropriate, improving Trusts' financial systems and controls. NHS England (NHSE) subsequently mandated that all Trusts should complete the checklist and as appropriate act upon the findings. NHSE also issued guidance that Trusts should commission their internal auditors to review and assess the completed checklists.

The Trust's internal auditors have completed their review to:

- Confirm that the Trust has completed its self assessment of the 72 questions posed in the HFMA checklist – confirmed.
- Check that the self assessment has been approved within the Trust, both by executive management and the Audit Committee – checked.
- Review the Trust's self assessment in respect of 12 core NHSE-specified questions. Internal Audit found reasonable compliance with 9 out the 12 core questions. The areas where improvement actions are required are:
 - Arrangements relating to cost improvement and waste reduction plans
 - Budget reporting and forecasting – clarifying responsibilities, success measures and timescales for actions

Internal Audit will review the implementation of improvement actions and report to the Committee at its November meeting.

- **Internal Audit Effectiveness Review**

The Director of Finance reported on the results of a recent executive director review of Internal Audit effectiveness, based upon guidance provided within the HFMA Audit Committee Handbook. The Committee noted the overall positive response. Some areas for improvement have been identified with actions planned. The effectiveness review will be repeated in early 2024.

- **Internal Audit Recommendations Benchmarking Report**

The Committee noted and discussed the report prepared by Internal Audit comparing anonymously the Trust's performance with regard to clearance of Internal Audit recommendations with that of nine other Trusts in the Yorkshire & Humber region.

The Committee noted that the Trust's level of outstanding internal audit recommendations had reduced significantly since the benchmark analysis was performed.

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The Director of Finance confirmed that actions will be taken further to improve the Trust's performance. The Committee will receive further progress reports.

- **Counter Fraud Progress Report**

The Committee noted and drew assurance from the report setting out the increased activity to prevent and detect fraud, and to handle cases of suspected or actual fraud.

- **2022/23 Annual Accounts Update**

The Committee noted and derived assurance from a detailed report setting out:

- the timetable for the production and audit of the Trust's 2022/23 accounts
- the accounting changes required in the current and future years in response to changing accounting standards – current year: IFRS16
- issues to be considered in preparing the 2022/23 annual accounts, including:
 - revaluation of the Trust's assets
 - accounting for capital expenditure and disposals
 - possible consolidation of Charity and Pathology JV within Trust accounts
 - implementation of IFRS16 Leases
 - audit materiality

- **Proposed changes to Scheme of Delegation (SoD) and Standing Financial Instructions (SFIs)**

The Committee considered the changes proposed, including those related to procurement thresholds. The Committee was satisfied to approve/recommend Board approval.

- **Pathology Joint Venture Annual Accounts 2021/22**

The Committee noted the accounts, which were prepared by BDO, Chartered Accountants on behalf of the joint venture partners.

- **Assurance regarding compliance with the Risk Management Strategy**

The Trust's Risk Management Strategy (RMS), approved in July 2022, requires that a report is made to the Audit Committee bi-annually explaining/confirming executive, academy and Board compliance with the RMS.

The Committee:

- Received and accepted the report as assurance of compliance with the RMS
- Noted the actions planned further to strengthen risk management arrangements
- Noted and commented on the first iteration of a Trust assurance map
- Approved a Standard Operating Procedure regarding the population, maintenance and use of the Board Assurance Framework

- **Audit Committee Annual Self Assessment**

The Committee reflected on a recent meeting of the Committee members and the Trust Secretary to review the performance of the Committee. The Committee confirmed that, by reference to the Self Assessment Checklists within the HFMA Audit Committee Handbook, it was content with the Committee's performance in all respects but one: a belief that further assurance is required regarding Trust data quality. It was agreed that the Director of Finance, Head of Internal Audit and the Audit Committee Chairman would

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meet with the Chief Digital & Information Officer (CD&IO) to discuss this and agree a way forward. The matter will then be considered further by the Committee, with the CD&IO present, at its 18 April meeting.

- **Audit Committee Work Plan 2023/24**

The Committee reviewed and approved its work plan for 2023/24.

- **Bi-annual private meeting with Internal Audit**

As is good practice, the Audit Committee held a bi-annual private meeting with Internal Audit. No matters of concern were forthcoming.

3. Other matters

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

None.

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

28 February 2023