

## Council of Governors Item 11.4

**Subject:** Annual Report of the Audit Committee 2021/22  
**Date of meeting:** Tuesday 7<sup>th</sup> June 2022  
**Prepared by:** Karan Wheatcroft, Interim Chief Governance Officer  
**Presented by:** Julian Farmer, Chair of Audit Committee  
**Purpose of Report:** To Note

BAF Ref	Impact on BAF
ALL	The report provides assurance that the Audit Committee is working effectively

### 1. Executive Summary

This report provides assurance to the Council of Governors on the performance of the Audit Committee for 2021/22 including delivery of its Terms of Reference (TOR). The report also references the priorities for 2022/23.

At the onset of the Covid-19 epidemic it was decided to avoid physical attendance and all the Committee's meetings were carried out remotely on Microsoft Teams.

The report confirms that the Audit Committee has fully delivered its TOR responsibilities in 2021/22.

### 2. Introduction

As recommended in the Audit Committee Handbook, this report sets out how the Committee has functioned and supported the Board of Directors at LHCH during 2021/22, through delivery of its' Terms of Reference, critically reviewing governance and assurance processes on which the Board of Directors place reliance.

The Audit Committee is established under delegation of the Board of Directors with approved terms of reference that are aligned with the *Audit Committee Handbook 2018*. The Terms of Reference were reviewed and updated by the Audit Committee and approved for adoption by the Board of Directors in July 2021.

The Committee's membership consists of all non-executive directors (excluding the Chair) and this reflects the importance that the Board of Directors places upon the Committee to enable independent and effective non executive challenge. The Committee has met on five occasions during 2021/22, with good attendance and contribution from members and wider attendees to support the delivery of the Committee duties. The Committee continued to meet remotely using Microsoft Teams due to the ongoing challenges of the pandemic, including social distancing.

### 3. Principal Review Areas

This annual report reflects the key objectives of the Committee as set out in the terms of reference.

## 2.1 Integrated Governance, Risk Management and Internal Control

The Committee having reviewed relevant disclosure statements for 2021/22 and other appropriate independent assurances together with the anticipated receipt of the final Head of Internal Audit Opinion and external audit opinion at its June 2022 meeting. The Committee considers that the draft 2021/22 Annual Governance Statement (AGS) is consistent with the Committee's view on the Trust's system of internal control and accordingly supports the recommendation that the Board of Directors approve of the 2021/22 AGS.

The Trust has a Board Assurance Framework (BAF) which sets out the principal risks to the achievement of the Trust's objectives, along with controls, assurances, gaps and actions. Following the strategic risk review, the Trust has embedded the refreshed risk appetite, and BAF reporting through the Board of Directors. The Audit Committee has received the BAF opinion from MIAA which confirms *"The organisation's Assurance Framework is structured to meet the NHS requirements, is visibly used by the Board and clearly reflects the risks discussed by the Board"*.

The Audit Committee continues to receive risk management KPIs with the majority of indicators rated green. The Committee are aware of the risk reporting developments and actions to improve KPI performance for both the risk register and incident reporting closure timeframes and will continue to focus on this for 2022/23.

The Committee have received Digital updates as well as assurance on cyber security which is now built into the Committee workplan.

Regulatory action plans continue to be a standing item but regulatory visits and formal reviews have been limited (risk-based) in 2021/22 and therefore there have been no significant regulatory issues this year for the Audit Committee to consider. The Trust has retained its CQC rating of outstanding and CQC engagement meetings have taken place but without formal reports.

It is anticipated that the area of governance arrangements and risk management processes in respect of wider systems / partnership working/ ICS will more formally evolve in 2022/23 and this will be a focus for Audit Committee assurance.

The Audit Committee has received and reviewed annual reports for 2021/22 from each assurance committee of the Board of Directors (March 2022); these enabled the Audit Committee to test the effectiveness of the Assurance Committees and be satisfied that the assurance mechanisms are fit for purpose in terms of discharging the responsibilities delegated by the Board of Directors.

The Committee has continued to reinforce the importance of management follow up in respect of audit work and the Chief Finance Officer has continued to utilise the tracking system to support this process. The Audit Committee has received assurance on progress against agreed actions through the regular MIAA follow up reports.

The Committee has undertaken an annual comprehensive review of compliance with the provider licence and reviews a quarterly checklist of key provisions to identify any new or emerging licencing risks. Licence conditions relating to access – waiting times and diagnostics – were breached throughout the year due to the pandemic, albeit recognising that the Trust's performance against recovery trajectories has been strong when benchmarked nationally. The changes to the financial framework and contract arrangements were also noted against the licence requirements.

The Committee has received management assurance in respect of data quality during 2021/22.

## 2.2 Internal Audit

Throughout the year, the Committee has worked effectively with internal audit to ensure the risk based focus and delivery of the internal audit plan to test the design and operation of the Trust's internal control processes. The Trust continues to use Internal Audit proactively to review areas of identified risk and support improvement.

A comprehensive risk-based programme of internal audits was planned and delivered during 2021/22. The Trust has received the following assurances:

Review Title	Internal Audit Opinion
Assurance Framework	Meets requirements
General Ledger	High
Budgetary Control	High
Accounts Payable	High
Accounts Receivable	High
Treasury Management	High
Data Security & Protection Toolkit	<b>TBC</b>
ESR HR/Payroll	Substantial
Budgetary Control/ Management Reporting	High
Hosted Services	Substantial
Delivery of Capital Plan	Substantial
Patient Consent	Moderate
Secure Health Messaging	Moderate
Attendance Management	Substantial

The Committee has considered all major findings of internal audit reviews.

Following an internal survey, the Committee received positive stakeholder feedback on the effectiveness of internal audit.

## 2.3 Anti-Fraud

The Committee reviewed and approved the anti-fraud work plan for 2021/22 and has monitored delivery against the plan across the year. Assurance has been received that coverage is across all mandated areas of strategic governance, inform and involve, prevent and deter and hold to account. The Committee received a briefing on the Bribery Act, and this was also provided to the Board of Directors to ensure full Board awareness.

No specific fraud investigations were undertaken in 2020/21 and the anti-fraud officer has worked with the Trust to promote fraud awareness and re-assess fraud risk in light of the pandemic.

## 2.4 External Audit

In consultation with the Council of Governors and taking account of the external market position, the external audit contract with Grant Thornton was further extended for 2021/22 with market testing planned for 2022/23.

The Committee routinely receives a progress report from the external auditor, including annual accounts audit timetable and programme of work. Updates are provided on key emerging national issues and developments which may be of interest to Committee members alongside a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

The Committee received the audit findings report for 2020/21, alongside the Trust's annual financial statements and Annual report. The results of the value for money work were received later in the year to enable the accounts to be laid before Parliament and the Annual Members meeting.

## **2.5 Management Assurance**

The Committee has frequently assessed the adequacy of wider corporate assurance processes as appropriate and has requested and received assurance reports from executives, managers and wider Committee attendance as required throughout the year. These have included a progress updates on data quality, reviews of the clinical audit programme and compliance with NICE guidelines and updates on research governance.

## **2.6 Financial Assurance**

The Committee has reviewed the accounting policies and annual financial statements prior to submission to the Board and considered these to be accurate. It has ensured that all external audit recommendations have been addressed.

The Committee received and scrutinised the annual financial statements and annual report for 2020/21 making recommendations to the Board of Directors for approval.

## **2.7 Other Assurance**

The Committee has routinely received reports on Losses and Special Payments and Single Supplier Tender Waivers.

The Committee has reviewed and updated the Governance Manual including Standing Financial Instructions and Schemes of Delegation and has formally adopted the revised manual. It has considered any variations requested by hosted organisations and made recommendations to the Board of Directors.

The Committee has also periodically reviewed the Trust's register of external visits.

The Committee received 3<sup>rd</sup> party assurances in respect of ESR and NHS SBS.

Members of the Committee have met privately with the internal and external auditors, without the presence of any Trust officer. This is planned annually and there is also an ongoing understanding with the auditors that they can request a private meeting at any time.

## **4. Review of the Effectiveness and Impact of the Audit Committee**

The Audit Committee has undertaken its annual self-assessment by self-assessing compliance with selected areas of the Audit Committee checklist, as set out in the Audit Committee handbook. This included a self assessment completed by the Audit Committee Chair and shared with members and a workshop to explore key areas of the Terms of Reference. This confirmed full compliance with the requirements as well as a strong assessment of the effectiveness and impact of the Committee. A

small number of areas for enhancement will be explored in 2022/23 including review of governance around the recovery plan, and consistency of mid year and annual assurance committee reports.

Attendance at Audit Committee during 2021/22 is set out in the table below:

Member	11 <sup>th</sup> June 2021	6 <sup>th</sup> July 2021	19 <sup>th</sup> Oct 2021	11 <sup>th</sup> Jan 2022	22 <sup>nd</sup> Mar 2022
Julian Farmer (Chair)	✓	✓	✓	✓	✓
Nick Brooks (NED)	✓		✓	✓	✓
Mark Jones (NED)	✓		N/A*	N/A*	N/A*
Bob Burgoyne (NED)	✓	✓	✓	✓	✓
Karen O'Hagan (NED)	✓	✓	✓	✓	✓
Margaret Carney (NED)	N/A*	N/A*		✓	✓
<b>Attendees</b>					
Karen Edge (Chief Finance Officer)	✓	✓	✓	✓	✓
Lucy Lavan (Director of Corporate Affairs)	✓	N/A*	N/A*	N/A*	N/A*
Karan Wheatcroft (Interim Chief Governance Officer)		✓	✓	✓	✓
Marga Perez-Casal (Director of Research and Innovation)		✓	N/A*	N/A*	N/A*
Georgia Jones (Grant Thornton)	✓			✓	✓
Christopher Whittingham (Grant Thornton)	✓	✓	✓		
Nigel Woodcock (MIAA)	✓	✓	✓	✓	✓
Michelle Moss (MIAA)	✓	✓	✓	✓	✓
Gary Baines (Regional Assurance Director MIAA)				✓	
Kate Warriner (Chief Digital & Information Officer)				✓	✓
Laura Hunter-Cross (Head of Financial Services)	✓	✓			
Jennifer O'Brien (Senior Executive Assistant)	✓	✓	✓	N/A*	N/A*
Megan Underwood (Senior Executive Assistant)				✓	✓
Janet Deane (Clinical Audit Effectiveness Manager)				✓	

\*There have been a number of changes to personnel in terms of the members and regular attendees during 2021/22 reflected in the table above.

The Chair of the Audit Committee reports on the Audit Committee's work to the Council of Governors at each quarterly meeting.

## 5. Looking Ahead

In the coming year the Audit Committee will continue to focus its attention on the following:

- Assurance processes underpinning recovery and reset of services;

- Assurance processes to support data quality;
- Assurance processes to support cyber security;
- Assurance on risk management KPIs including the improvement work through the Risk Management Committee;
- Reviewing the approach to Committee effectiveness and annual report for all Assurance Committees;
- Understanding and ensuring appropriate governance arrangements and risk management processes are in place to support wider systems / partnership working and emerging ICS frameworks.

The internal audit programme will continue to be regularly reviewed in terms of emerging risks and prioritisation.

The Committee will adapt its work programmes in order to respond to any new emerging policy, including governance, risk management and wider internal controls.

## **5. Terms of Reference**

The Committee's Terms of Reference are compliant with the latest edition of the Audit Committee Handbook (March 2018). The Terms of Reference have been reviewed annually, with the most recent amendments being the updates in January 2019 to reflect the Audit Committee's responsibility for the oversight and assurance of data quality processes (approved by the Board of Directors in April 2019).

The only change proposed to the Terms of reference is to update the reference to NHS Protect to the NHS Counter Fraud Authority. An annual business cycle is maintained to support the Committee in effectively discharging its responsibilities as delegated by the Board of Directors.

## **6. Conclusion**

This annual report summarises the work of the Committee in 2021/22 and concludes that the Committee has fulfilled its Terms of reference with no matters that the Committee is aware of at this time that have not been disclosed appropriately.

## **7. Recommendation**

The Council of Governors is asked to

- receive assurance that the Audit Committee has met its terms of reference, and to note the areas requiring improvement in Trust performance.
- Approve the revised Audit Committee TOR.