

Audit Committee Chair's Report

Public Board
27 January 2022

Presented for:	Information and Assurance
Presented by:	Suzanne Clark, Chair of Audit Committee
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List of meeting dates:	2 December 2021

Trust Goals	
The best for patient safety, quality and experience	✓
The best place to work	✓
A centre for excellence for research, education and innovation	✓
Seamless integrated care across organisational boundaries	✓
Financial sustainability	✓

Trust Risks (Type & Category)				
Level 1 Risk		Level 2 Risks	(Risk Appetite Scale)	Risk
Workforce Risk			Choose an item	Choose an item.
Operational Risk			Choose an item	Choose an item.
Clinical Risk				
Financial Risk		Counter Fraud We will adopt a zero-tolerance approach to workforce fraud through the maintenance of an anti-fraud culture, investigating all reported instances of fraud and following disciplinary and criminal proceedings	Averse	↔ (same)
Financial Risk		Financial Reporting Risk We will deliver sound financial management and reporting for the Trust with no material misstatements or variances to forecast	Minimal	↔ (same)
External Risk		Legal & Governance We will operate the Trust in compliance with the law and UK Corporate Governance Code, where applicable	Averse	↔ (same)

Key points	
This summary provides an overview of significant issues of interest to the Board, highlights key risks discussed, key decisions taken, and key actions agreed.	For information and assurance

ISSUES OF INTEREST TO THE BOARD – 2 DECEMBER 2021

Prior to the formal Committee meeting taking place:

- *An education and training session was facilitated by Mazars, with an invitation to senior finance team colleagues for a briefing on the implementation across the NHS for 2021/22 regarding IFRS16 Leases*
- *An informal meeting was held with External Audit.*

The meeting was observed by a colleague from Imperial College Healthcare NHS Trust as part of our links to share best practice and learning with others.

Matters Arising from the last meeting

None.

PwC Assurance Reports for Building the Leeds Way

As defined in the terms of reference for both the Audit Committee and the Building and Development Committees, the Audit Committee received for assurance and information of the BtLW Clinical Engagement PwC Assurance Review and noted the internal audit plan schedule.

Strategic Risks and Governance

The level 1&2 risk categories, as set out in the Committee's work plan, to be reviewed for a deep dive by the Committee were;

Financial Management Risk – Counter Fraud, Financial Management & Waste Reduction, Revenue Funding & Liquidity, Supply Chain, Partnership Working and Strategic Planning (*noting that Change Risk was wider risk impacting more than financial assurances and was deferred to the next meeting*).

Counter Fraud – Statement; We will adopt a zero tolerance approach to workforce fraud through the maintenance of an anti-fraud culture, investigating all reported instances of fraud and following disciplinary and criminal proceedings.

The report set out the levels of assurance to ensure continued operation within the risk appetite. David Gregory provided more context on the two reported gaps in assurance against the new NHS Counter Fraud Authority requirements where the Trust could not report full compliance. The Committee noted these were currently rated amber, with actions to achieve green status.

Financial Management and Waste Reduction – Statement; We will deliver sound financial management and reporting for the Trust with no material misstatements or variances to forecast.

Financial Reporting – Statement; We will deliver sound financial management and reporting for the Trust with no material misstatements of variances to forecast.

Revenue Funding and Liquidity – Statement; We will retain a minimum balance of £3m in line with requirements for a Trust our size.

The three reports covering Financial Management and Waste Reduction, Financial Reporting and Revenue Funding and Liquidity provided comprehensive evidence of the processes in place to provide assurance and management of these risks. Jonny Gamble and Martin Campbell-Smith also drew attention to the Committee of the monthly assurances report to the Finance & Performance Committee, bi-monthly reports to the Board and the Fundamental Financial Review each quarter with the Board. There were no gaps in assurance reported.

Supply Chain – Statement; We will manage suppliers in a manner that protects the Trust's interests and service to our patients.

The report set out the levels of assurance to maintain operating within risk appetite. Chris Slater providing further context to the gaps where reliance had been placed on the NHS Supply Chain and 'just in time suppliers' which have become less dependable, and the gaps post pandemic in supply chain. He described the actions to address these with the establishment of an ICS Resilience Group providing mutual supplies across West Yorkshire and on-going work to gather market intelligence to identify emerging gaps to take mitigating action.

Partnership Working – Statement; We will maintain well-established stakeholder partnerships which will mitigate the threats of the achievement of the organisation's strategic goals.

The report provided assurance to maintain operating within risk appetite and no gaps were reported, with James Goodyear was in attendance.

Strategic Planning – Statement; We will deliver Our Vision 'to be the best for specialist and integrated care' through the delivery of a set of strategic goals in line with Our Values'.

The report provided assurance to maintain operating within risk appetite and no gaps were reported, with James Goodyear was in attendance and drawing attention to the recent AQUA external well-led review which provided objective assurance.

BAF and CRR Update

The Committee noted the Board's review of the Board Assurance Framework (BAF) at the October Board Timeout meeting and the ranking of risks associated with delivery of the Trust's strategic vision alongside the high-level risks set out in the Corporate Risk Register (CRR). This will be further defined to establish a new style BAF, to be reviewed by the March Committee meeting and presented to the Board timeout on 10 March 2022.

The Committee received the BAF and CRR as Blue Box information.

External Audit Update

Mazar's updated the Committee on the proposed work plan for the yearend audit for 2021/22, noting the recent publication by NHSE/I for the submission of the accounts. Therefore, an extra ordinary Audit Committee meeting and Board meeting would be required for approval prior to submission, which had been agreed to be Teams meeting on 16 June 2022.

Internal Audit Updates

The Committee received an update on the progress report of the Internal Audit Plan for 2021/22. The following final reports had been issued and an update was provided;

- Two reports relating to the Building the Leeds Way were reported for assurance, noting commercial sensitivity – both were low risk
- Emergency Preparedness, Resilience and Response – low risk
- Waste Management – low risk
- Never Events – low risk
- Covid Risk Assessments – medium risk
- Patient Property & Valuables – high risk, with the Committee seeking further assurances. It was reported that the Trust had a well-defined policy. The findings related to adherence to this, noting the operational pressures on staff during the pandemic and staff movement from their normal working environments. The Committee recognised the sentimental value of many items as the core value and were assured of the action plan to address the recommendations, within a six month timescale.

It was explained to the Committee some elements of the audit plan were delayed and related to previous agreement for deferrals due to operational pressures of Covid, which were supported by the Committee. However, it was noted that there would be a larger number of report to be received at the March Committee meeting as these were reaching completion.

There were three overdue actions within TrACtion;

The Committee supported the extensions to deadlines, theatre utilisation (scheduling tool) by one month, contract assurance (maintenance of the contract repository) by three months with both reporting by the end of January. Risk Management Committee (Corporate Risk Register) was extended by five months.

Counter Fraud - Progress Report

The Committee received the report which provided progress against the Counter Fraud Work Plan for 2021/22. An overview of on-going communication, extensive review into the Vaccination Centre Payroll, investigation and action to a multiple fraudulent applications to the Employee Support Fund, an update on the application to the NHS Finance Innovation forum as a result of the pandemic demonstrating good practice. The Committee reviewed the SRT standards noting the RAG ratings for component 2 (Bribery and corruption strategy) and component 6 (outcome based matrix) rated as amber respectively, and the desired progress towards achieving a green rating.

Corporate Governance Reports

Use of Chairs Action

The Committee received assurance of the appropriate use of emergency powers via Chairs action, as defined in Standing Orders, for action taken outside Finance & Performance Committee and/or Board.

Losses and Special Payments Report

The Committee received a report on the amount of bad debt written off and the compensation payments made on behalf of the Trust. The details and themes of this were set out in the report, noting that this was a third of the value from the previous year.

2021/22 Accounting Completion

The report provided assurance to the Committee of the work in hand to progress to the yearend processes, noting the deadline of submission of draft and final accounts to NHSE/I, the review of accounting policies against the NHS Group Accounting Manual 2021/22, the requirement of audit disclosures and the preparation of the accounts against a statement as a going concern basis. The Trust has an excellent track record for delivering yearend processes and no risks were identified at this stage.

Assessment of the Committees Effectiveness

The Committee had recently issued a survey to members and attendees to seek feedback to review its effectiveness and the evaluation was reported to the Committee. This was positive however, as Committee Chair, I intend to follow this up further with Members and along with the external well-led review by AQUA and will reflect this feedback and learning to take forward for next year (forward plan and Committee objectives).

Single Tender Actions

The Committee received assurance within the report of the reduction in use of single tender waivers over the last six months. The report summarised the 30 tender waivers use to approve £3,633,77.88 all of which had been approved by the Director or Associate Director, Commercial Procurement confirming that none had tried to avoid the need for competition or circumvent Standing Financial Instructions.

Update to Standing Financial Instructions and Scheme of Delegation

The Committee received and supported the recommendations set out following the detailed review of Standing Financial Instructions and Scheme of Delegation. Assurance was noted of the benchmarking process that had supported the review against peer trusts. These will be reported to the January Board meeting for endorsement.

Work Plan and Calendar of Key Events for 2021/22

The work plan was received and noted by the Committee. Moving forward consideration will be given to the planning for 2022/23 for the deep dive reviews and the volume of work attributed to any one corporate function for any one Committee meeting.

Other issues for the Committee

The Committee, constituted as the Audit Panel, gave consideration to the process to commence appointment for the Internal Auditors.

Standing Agenda Items

There were no new issues to escalate to the CRR, no issues required legal advice, or escalated to NHS England/Improvement, CQC or to the Board.

The information received within the meeting reported the Trust remained within its defined risk appetite.

**Suzanne Clark, Chair Audit Committee
January 2022**