

## Audit Committee Chair's Report

Public Board  
28 September 2023

<b>Presented for:</b>	Information and Assurance
<b>Presented by:</b>	Suzanne Clark, Chair of Audit Committee
<b>Author:</b>	Jo Bray, Company Secretary

Our Annual Commitments for 2023/24 are:	
Effectively develop and deploy new assets (buildings, equipment, IT)	✓
Reduce healthcare associated infections	
Improve staff retention	
Deliver the financial plan	
Reduce average length of stay by 0.5 days per patient	
Achieve the Access Targets for Patients	
Support a culture of research	

Trust Risks (Type & Category)				
Level 1 Risk	(✓)	Level 2 Risks	(Risk Appetite Scale)	Risk
Workforce Risk				
Operational Risk				
Clinical Risk				
Financial Risk	✓	<b>Counter Fraud</b> 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	✓	<b>Financial Reporting Risk</b> We will deliver sound financial management and reporting for the Trust with no material misstatements or variances to forecast	Minimal	↔ (same)
External Risk	✓	<b>Legal &amp; Governance</b> We will operate the Trust in compliance with the law and UK Corporate Governance Code, where applicable	Averse	↔ (same)

<b>Key points</b>	
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 FROM 7 SEPTEMBER 2023 COMMITTEE MEETING**

An informal training session was held prior to the Committee meeting, with an open invitation to finance colleagues and Board members. This was provided by Internal Audit (PwC) on reporting Assurance versus Re-assurance, with the slides shared with Board members. The focus of this was reinforcing the three lines of defence with interactive discussion on content of assurance reports to the Board and Committees. Assurance requires more than management data.

Prior to the formal Committee meeting taking place, Non-Executive Directors held an informal meeting with Internal Audit with no significant issues of escalation raised.

### **Matters Arising from the last meeting**

- End User Compute (EUC) Modernisation Programme

At the May Audit Committee, the outstanding actions from Internal Audit reviews for DIT were reviewed with a request for extension to dates to deliver five actions impacted by the roll out of the End User Compute (EUC) Modernisation Programme. It was agreed that members of the Audit Committee would attend the 15 September 2023 DIT Committee meeting to receive assurance on progress of these actions with the Audit Committee granting extensions to the date of this meeting. This was against the then planned EUC completion date of the end of August. Since this agreed action at the start of May, there have been delays to the EUC Modernisation Programme as reported to the DIT Committee and Board, with a planned delivery date now forecast for the end of October.

The Audit Committee received the report to be presented to the 15 September 2023 DIT Committee meeting updating on progress and reporting delivery of actions against the original timelines (end of October). Therefore, in governance terms the Audit Committee were required to formally grant extensions beyond the agreed action in May which was for these to be completed by September DIT Committee meeting. The Audit Committee delegated authority to myself, as Committee Chair, to follow up with the Chair of DIT Committee following the progress review, and with assurance would then provide extensions to the end of October. I have received confirmation that this assurance was provided at the DIT Committee and as Chair of Audit Committee I can confirm the extension dates as cited in the report.

- Change in Committee Membership

Following the Non-Executive Director appraisals with the Trust Chair as reported to the July Board meeting, the Committee welcomed Phil Corrigan and Rachel Woodman as new members of the Committee, and noted their declared declarations of interest. The Chair thanked Mark Burton and Georgina Mitchell for their contributions as members.

### **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;

### **Clinical Risk**

- *Infection – We will manage the risks related to infection prevention and control to reduce the transmission of infection in our hospitals*

The report set out the controls, internal and external in place to manage the Infection Prevention and Control risk in line with the Health and Social Care Act (2008) Code of Practice on the Prevention and Control of Infection. The Infection Prevention and Control BAF and its alignment to the requirements of the National Infection Prevention and Control Manual with the ten criteria were explained and evidenced. Reducing Health Care Acquired Infections (HCAI) was one of the seven annual commitments for LTHT for 2023/24 with progress reported of the assurance processes required by CSUs underpinned by the strategy to reduce HCAI at LTHT. Assurance was provided of the processes for governance and performance monitoring, along with reporting the delivery of the actions from the internal audit recommendations. This remains on the Corporate Risk Register with the key gaps in control and mitigations set out in more detail.

- *Patient Experience – We will comply or exceed minimum patient experience targets*

The report described the targets required with patient experience and related functions through; complaints service, Patient Advice and Liaison Service (PALS), the Friends and Family Test (FFT), national patient surveys for in patients; maternity, children's and young people, urgent and emergency care and cancer, inclusion of Patient Safety Partners on Trust Safety Committees and the accessible information standard. The required regulation was defined with the control and monitoring of assurance reported. The Committee noted the recent positive changes made in the complaints process, as agreed by the July Board, in removing the additional stages of quality control to scrutinise response letters. The Committee also explored the mechanism for ensuring feedback was gained for a broad range of patients.

### Financial Risk

- *Counter Fraud Risk – 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 standards required for compliance with the NHS Counter Fraud Standards, and the self -assessment against these. The process of management oversight and assurances reported to the Audit Committee, noting the work plan in place to achieve the one rated amber standard.

- *Financial Management & Waste Reduction Risk – We will deliver sound financial management and reporting for the Trust aiming to at least break even, with no material variances to forecast*
- *Financial Reporting Risk – We will deliver sound financial management and reporting for the Trust, with no material misstatements or variances to forecast*

These risks were supported by separate reports but combined as an agenda item and discussed together. The controls were set out within the report, monitoring against the defined standards set out in Standing Orders, Standing Financial Instructions and the Scheme of Delegation, along with the role of management and assurances reported to the Finance & Performance Committee and Board. The Committee noted the role of the new Expenditure Review Group for processing expenditure above £50,000 and the plans in place to also meet the WY ICB requirement for Director approval of agency spend.

Many areas of NHS best practice we're recognised by the use of a five year financial plan, day one reporting, and quarterly financial reviews at the Board which all include best, mid case and worse case modelling of the financial data. External validation of working practices underpinned assurance within the reports, in addition to internal and external audits. Sharing good practice was commended.

- *Revenue funding & Cash Management Risk – We will retain a minimum balance OF £3m in line with requirements for a Trust of our size*

The report set out the controls in place for the management oversight and assurances in relation to the expenditure and capital plans, with many of the process as cited above.

The Committee commended the comprehensive reports and the assurances provided in managing the defined risks.

Change Risk and Health & Safety Risk assurance reports were deferred until the December meeting.

### **BAF and CRR Update**

The Committee received Corporate Risk Register (CRR) for information as a Blue Box Item.

Twice a year the Committee review the Board Assurance Framework (BAF) noting that this had been reviewed at the June Board timeout meeting to align with the annual commitments and changes received at the July Board meeting, with no further changes made. The Committee were assured of the process and content of the BAF setting out the risks to delivering the Trusts strategy.

### **External Audit Update**

The Committee received and noted the first Audit Progress Report for the year ending 31 March 2024. This summarised the debrief and learning from the 2022/23 yearend process and actions to take forward. A summary of the proposed fees for 2023/24 were set out and approved by the Committee.

### **Internal Audit Updates**

- **Annual Publication – Managing Risks in the NHS**

[Managing Risk in the NHS: Risk Profile of NHS Organisations \(pwc.co.uk\)](https://www.pwc.co.uk/healthcare/risk-profile)

The Committee received and noted the recent publication by PwC, and the summary report by LTHT which set out the Trusts top ten risks against the collation of data for the 43 trusts within the report. Cross referencing this information LTHT was in keeping with other trusts with strong correlation to Patient Care, Workforce and Regulatory Action categories, however of note was that within LTHT BAF, 'to deliver continuous innovation and inclusive research' which was not identified within the top ten risks within the PwC publication. As a large teaching hospital this is key to the Trust and may not apply to the other trusts within the sample.

- **Progress Report Against Internal Audit Plan**

The Committee received an update on the progress report of the Internal Audit Plan for 2023/24. The following final reports had been issued and an update was provided;

- Key Financial Controls – Accounts Receivable (satisfactory)
- Fire Safety (moderate)

The Fire Safety report included one High Risk Finding;

*Missing fire risk assessments – Our testing involved reviewing samples reviewing a sample of 25 CSUs to ensure there was an up to date FRA in place and that this was completed within 12 months since the last FRA. However, we noted that there were gaps in the evidence retained for the completion of the FRAs, this included missing FRAs from the system, incomplete details to confirm whether FRAs have been completed within the 12 month period and untimely completion of the FRAs.*

In preparation for the Committee meeting Craige Richardson had provided further information with assurance that this action had an agreed completion date of 31 December 2023 and set out further context that explained 100% of checks had been carried out and this was a data glitch within the hosted reporting system, with the Fire Team working with the host to provide three month warnings to pre-empt FRA expiration, until this is resolved.

The report also confirmed those audits with completed field work where draft reports had been issues, those where reporting was still being drafted, where field work had commenced and those where terms of reference of the reviews were yet to be agreed.

A variation to the Internal Audit plan was verbally reported to respond to a new national requirement for Emergency Planning and Preparedness which would be required before the end of December and was supported by the Committee.

The report noted that there were 19 open actions to be completed however these had not reached their delivery date and there were three actions overdue where extension to delivery dates were requested from the Committee.

- One related to ICS working arrangements, defining objectives and clarifying roles which was due at the end of July and the extension was granted to the end of October as this was to be included in the Board timeout meeting in October
- The two remaining actions related to Employment and UKVI checks with delivery dates of the end of May with an extension requested to the end of January 2024. On further discussion with the Committee this appeared to be a third-party delay, relating to NHS Jobs which was beyond direct control by the Trust. The Committee requested that Internal Audit re-visit the action and rationale and provide more details to me as Committee Chair outside the meeting.

On further clarification following the meeting, Internal Audit have agreed to amend the first action (as cited above) and to close the second action.

- **CSU Compliance Summary Report**

Following the CQC inspection in 2018, the annual Internal Audit plan included governance reviews of three of four of the CSUs each year. These had assessed compliance with devolved CSU controls incorporating, Financial Management, HR, Quality Governance and Risk Management. The report presented the overall summary for the 18 CSUs audited to date. Following a discussion, it was agreed that Internal Audit would report to the next meeting with options of future models of assessing and reviewing governance or aspects of governance of the CSUs.

### **Counter Fraud**

The progress report set out the work that had taken place from 1 April to 22 August 2023 against the Counter Fraud Work Plan.

It was noted against the 13 Counter Fraud Functional Standards the Trust was reporting green against 12 with one rated amber. The Committee were updated on the actions taking place towards component 10 relating to undertaking detection activity. Assurance was provided, as the Team were now fully staffed, of the activities planned and in due course would provide sufficient evidence as an audit trail to rate green compliance against this standard.

Details of the Counter Fraud annual survey were noted with 1301 responses received.

The report included details of referrals and an update of actions on case results from the work of the Counter Fraud Team.

### **Corporate Governance Reports**

- **Review of Policies**

The Committee were assured of the process in place to review and maintain a current suite of policies and procedures, as at 18 August 2023.

### **Matters for the Audit Committee**

- **Review of the Committee Objectives**

The Committee reviewed progress against its objectives for 2023/24.

*To develop and deliver a fit for purpose training plan for the Audit Committee - We confirmed the training and development sessions for Audit Committee members for December – update*

on accounting changes for PFI and IFRS 16, and March – balance sheet review and accounting principles. These are open sessions to the wider Finance Team to attend.

*To provide increased scrutiny of productivity across the Trust* - The Committee noted the update report received by the Finance & Performance Committee on Productivity & Efficiency and explored the assurance that could be provided to the Committee on processes unpinning this. The Director of Finance agreed to bring a report to the next meeting to address this.

*To provide assurance over the Trust's Environmental, Societal and Governance (ESG) Commitments are tracked and reported accurately* – It was confirmed a report will be reported to the December Audit Committee meeting setting out any requirements to be address in the yearend process, noting the recent changes that have take place within the private sector.

*To challenge Audit Committee papers in excess of 10 pages to understand the barriers to presenting information more succinctly and to seek to address these* - The discussion noted the progress made in reporting, the value of the training session assurance versus re-assurance, and considered if a standard template for the Deep Dives for risk categories should be developed with agreement that this was not required.

### **Assessment of Internal and External Audit**

For the following items colleagues from Internal and External Audit were conflicted and asked to leave the room. The Committee received assurance reports evidencing good practice of the services provided by both organisations.

### **Blue Box Item – Work Plan and Calendar of Key Events for 2023/24**

The work plan was received and noted.

### **Standing Agenda Items**

There were no new issues to escalate to the CRR, no issues required legal advice, or escalated to NHS England, 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**  
**September 2023**