

Audit Committee Chair’s Report

Public Board

28 March 2024

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| Presented for: | Information and Assurance |
| Presented by: | Suzanne Clark, Chair of Audit Committee |
| Author: | Jo Bray, Company Secretary Martin Campbell Smith, Associate Director of Finance |

| Our Annual Commitments for 2023/24 are: | |
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| 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 | ✓ | 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) |

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| 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 FROM 28 FEBRUARY 2024 COMMITTEE MEETING

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

The Audit Committee Chair noted that she had taken part in the NED training pilot from NHS England and has reviewed training material in development for NED induction.

Matters Arising from the last meeting

There were no matters arising listed on the agenda and none were raised during the meeting.

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

- *Research & Innovation – We will deliver agreed minimum research and innovation priorities with health, social care, voluntary, education and private sectors.*

The report set out the controls and forums in place for the management of research and innovation. The report set out at a high level the Trust’s approach to control processes, monitoring and assurance for all activities associated with research and innovation within the purview of the Research and Innovation department that are taking place across the Trust. There continue to be robust structures and processes in place for ensuring that the Research and Innovation activities delivered by the Trust are done so to a high standard that meet the requirements of the UK Policy Framework for Health and Social Care. The report focussed on key lines of assurance against the following four key elements within R&I:

- Operational management of research activities;
- Clinical Governance;
- Use of routinely collected clinical data for research purposes;
- Financial management

An area requiring increased focus was financial management due to the complexities within this for R&I in completing both NHS and commercial research trials. Further assurance around the control framework has been requested from the R&I Team.

Another area highlighted for further assurance was ensuring the knowledge of researchers on data ownership and protection. This is also an area of focus for the R&I Committee. The Committee noted that the R&I Committee has requested further assurance around evidence of recruiting numbers and demographics, expanding on the data collection within the Referral to Treatment (RTT) pathway, with the Trust reporting longer times than others and the R&I Committee wanting assurance of right numbers in data reporting.

The Audit Committee noted the journey that R&I was on, commending the candour in detailing the current status of the control framework. Following a suggestion by the committee, consideration will be given which internal audit would be useful to support the

maturing of the control framework. The Committee noted that R&I were due to provide an update on its risk management at the next Risk Management Committee (RMC) and will provide a further update to the Audit Committee on 2 May 2024.

Operational Risk

- *Information Technology Risk – We will develop and maintain stable, secure, and resilient services, operating to consistently high levels of performance*
- *Information Governance (IG) Risk - We will appropriately manage information management risk through the collection, transmission, storage, management, and maintenance of information. As a minimum we will meet data protection and healthcare information governance requirements.*
- *Information Security Risk - We will ensure the confidentiality, integrity and availability of information, and its appropriate and legitimate use.*

The report, covering all three risks, described the processes and mechanisms in place for the management of the Information and Technology risks. The report highlighted the control framework in place for those identified risks within the remit of the Chief Digital Information Officer and the assurance processes within the Trust through various committee structures and supporting groups.

The Audit Committee was informed of the improvements to the DIT Governance and expanded on Project Delivery Life Cycle (PDLC) which was the core governance framework for commissioning and executing DIT projects. In addition, and based on this methodology, a “PDLC Lite” and “Small Work Request” (SWR) had been developed to streamline smaller pieces of work so they could be delivered quicker and in a more resource efficient manner.

The Committee were briefed on the annual self-assessment against the Data Security and Protection Toolkit (DSPT) as one control for gaining assurance and noted the Trust’s historic compliance in this, and confirmation that the Trust was on track to achieve compliance this year. The Committee were made aware that there had been some changes in the training requirements and the IG Team had developed additional routes for IG training which were listed within the report.

The Committee noted that the Trust was holding a number of risks associated with legacy hardware and software with the report listing the key risks and mitigating action taken, noting the successful rollout of the End User Compute programme and strong understanding of the risk which remained around legacy software applications. The DIT Team are scheduled to present at the next RMC and they would be presenting various risks for consideration centred around capital and funding risks looking forward.

Assurance was provided on the controls in place around the financial systems used by the Trust. Internal and external reports provide assurance, including a bi-annual exercise with IT to seek and provide assurance on controls and identify potential risks, relating to these systems.

The Audit Committee were assured of the processes in place for the oversight and management of Information Technology risk to maintain the risk tolerance of cautious defined by the Board.

Operational Risk

- *Physical Assets Risk – We will optimise patient and workforce experience through the effective management of our buildings and estates.*

The report summarised the processes and mechanisms in place for the management of the Physical Assets Risk. The report highlighted the control framework in place for those

identified risks within the remit of the Director of Estates & Facilities and the assurance processes within the Trust through various committee structures and supporting groups. The report detailed the individual safety groups which inform the Estates & Facilities (E&F) risk process and noted the introduction of a new Building Safety Group to this structure which was in a part a response to the Building Safety Act. The report outlined that within these safety groups membership included an authorised engineer and the E&F risk lead joined meetings periodically throughout year.

The Audit Committee were informed about the escalation of certain structural risks to the estate through the E&F structure and up to the Risk Management Committee. The current estate has a number of areas where the infrastructure risks are elevated due to limited capital investment and delays to the New Hospitals Programme.

The Audit Committee were told of the strong culture within E&F of managing and monitoring risk and the various internal and external regulations the Trust had to comply with, and the expertise within E&F to be able to provide this expertise and assurance.

Discussion followed on the backlog with the Audit Committee reminded that the Trust had carried out a 100% facet survey on the entirety of its estate which had identified gaps and also noted the additional inflationary cost to rectify issues. The Trust is not an outlier in terms of the increase but it is in terms of the size of the backlog.

The Audit Committee were assured of the processes in place for the oversight and management of physical assets risk to maintain the risk tolerance of cautious defined by the Board.

BAF and CRR Update

The Committee received Corporate Risk Register (CRR) and Board Assurance Framework (BAF) for information as a Blue Box Item.

External Audit Update

The Committee received and noted the Audit Strategy Memorandum for the year ending 31 March 2024 with the associate timetable for the planned work against the submission requirements of NHS England. The Memorandum also contained the fee proposal for the 2023/24 audit, with a caveat around costs to be incurred in relation to PFI accounting. The Committee noted the potential impact on the external audit work with the application of the accounting standard IFRS16 – Leases on PFI schemes, appreciating the complexity of this.

Internal Audit Updates

- **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;

- Perfect Ward Framework (moderate)
- Sickness and Absence Management (moderate)
- Recruitment of Overseas Medical Staff (moderate)
- Business Continuity Management (mandatory)

The fieldwork has started in the following areas - Medical Agency Staffing, Procurement & Contract Management, Health and Safety, and CSU Compliance. The Committee supported a change to the plan with the Provider License Review being replaced by a review of the Northern Pathology Imaging Co-operative (NPIC) initiative governance arrangements

Following discussion on the Perfect Ward report and two medium rated findings covering documentation related to the framework, the Audit Committee agreed that the report should

be shared with Quality Assurance Committee to enable triangulation with the information presented at that committee.

- **Draft Internal Audit plan for 2024/25**

The Committee received the draft plan but noted the need for further clarity on what aspects of DIT would be covered, and given the discussion on R&I earlier, whether this should be included as an area to be covered.

The Committee discussed the review of CSUs recommending for consideration that all CSUs are covered but with a limited theme. Internal Audit were asked to review the plan again with the Executive team and bring an updated plan to the next meeting in May.

Annual Reports, Annual Accounts and Quality Account

- **2023/24 Accounts Completion – Update**

The Committee were updated on the accounts planning process and agreed timetable for annual reporting and accounts. The Audit Committee will undertake review of the draft accounts on 8 May.

- Draft accounts due on 24 April 2024
- Final accounts due on 28 June 2024

- **Environmental, Social and Governance Reporting (ESG)**

The Committee was informed that DHSC had recently advised that NHS organisations were expected to comply with phase 1 of the Taskforce on Climate-related Financial Disclosure (TCFD) disclosures in the annual report. Phase 1 covers governance processes in place.

Matters for the Audit Committee

- **Forward plan and Terms of Reference**

The Audit Committee noted the minor changes to the Terms of Reference and Forward Plan. The Committee agreed to discuss the Committee Objectives to its next meeting on 2 May.

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
March 2024