

Meeting title:	Trust Board – Public	Public Trust Board paper P			
Date of the meeting:	11 May 2023				
Title:	Audit Committee 2022/23 Annual Report and self assessment				
Report presented by:	Mike Williams, Chair of Audit Committee and Becky Cassidy, Director of Corporate and Legal Affairs				
Report written by:	Becky Cassidy, Director of Corporate and Legal Affairs				
Action – this paper is for:	Decision/Approval	x	Assurance		Update
Where this report has been discussed previously					

Acronyms used:

Purpose of the Report

The report provides the Trust Board with the 2022/23 Annual Report and self assessment from the Audit Committee.

Recommendation

The Trust Board is asked

- Review and approve the 2022/23 Annual Report and self assessment
- Note the key areas of success and areas to address for 2023/24

Summary

The Audit Committee 2022/23 Annual report and self assessment has been completed and reported directly to the Audit Committee. The Audit Committee Annual Report has been written using the best practice questions within the NHS Audit Committee Handbook. The checklists detailed within the report will provide the Trust Board with assurance that the Committee has covered all essential areas which are also aligned with best practice and its terms of reference. The report covers the period 1 April 2022 to 31 March 2023

In preparing this Annual Report, it has been recognised that the Audit Committee was not operating under normal times during the last 18 to 24 months, due to the strong focus on the Annual Reports and Statutory Accounts for 2018/19, 2019/20 and 2020/21 (respectively). Therefore, a significant amount of the Committee's time was dedicated to ensuring that these key documents, and the information contained therein, were robust prior to approval and subsequent recommendation to the Trust Board for formal adoption.

The Trust Board should note that the self assessment questionnaire was completed by all Audit Committee members, relevant Executive Directors, Internal Audit, External Audit and Counter Fraud representatives.

The key success areas to bring to the Trust Board's attention are as follows:

- 2019/20, 2020/21 annual reports, annual governance statements and accounts have been scrutinised and approved
- Ongoing work towards finalising the 2021/22 Annual Report and Accounts
- Maximum attendance by the core membership and key executive directors and senior managers
- New internal audit provider appointed and embedded
- New external audit provider appointed and embedded
- Improved oversight over risk management with Audit Committee chair observing the risk committee

- Consistent review and scrutiny of the Board Assurance Framework
- Strong leadership from the Audit Committee chair

The key areas for the committee to consider addressing for 2023/24 include:

- Agreed process for the assessment of the independence and performance of the Trust's internal and external auditors
- Stronger oversight of Cyber Security
- Re-establish formal private meetings between the auditors and the audit committee members. Please note the Audit Chair has met regularly in private with external auditors due to the ongoing work with the previous years of accounts.
- UHL policy for the allocation of non-audit work to external auditors
- Receive annual report on the clinical audit plan

The Audit Committee and the Director of Corporate and Legal Affairs have met and assessed the outcome of the self assessment to agree the proposed objectives for the committee for 2023/24. These will be presented, discussed and agreed at the Audit Committee in June and reported to the Board via the highlight report.

Supporting documentation

Appendix 1 – 2022/23 Audit Committee Annual Report and self assessment

2022/23 Audit Committee Annual Report and self assessment

1. Introduction

The Audit Committee's terms of reference detail that the Committee produce a report on an annual basis, providing an overview of the effectiveness of the Audit Committee in undertaking its duties and its compliance with its Board approved terms of reference. Self-evaluation questionnaires were issued to Audit Committee members and key regular attendees (including External Audit, Internal Audit, Counter Fraud Specialist, the Chief Financial Officer, and the Director of Corporate Affairs). An overall response rate of 90% was achieved (nine out of the ten questionnaires issued) with only one of the two External Audit representatives providing their views.

In preparing this Annual Report, it has been recognised that the Audit Committee was not operating under normal times during the last 18 to 24 months, due to the strong focus on the Annual Reports and Statutory Accounts for 2018/19, 2019/20 and 2020/21 (respectively). Therefore, a significant amount of the Committee's time was dedicated to ensuring that these key documents, and the information contained therein, were robust prior to approval and subsequent recommendation to the Trust Board for formal adoption.

2. Meeting Attendance

During the period of this report, the Audit Committee met on five occasions, Membership is independent of any management. The membership attendance throughout the period was as follows:-

Members	9 May 22	31 Aug 22	28 Oct 22	23 Dec 22	10 Feb 23	Total
M Williams	Y	Y	Y	Y	Y	5/5
V Bailey	Y	Y	Y	Y	Y	5/5
S Harris	Y	Y	Y	Y	Y	5/5
B Patel	Y	Y	Y	Y	Y	5/5

There was also strong attendance from regular attendees including External Audit, Internal Audit, Counter Fraud Specialist, the Chief Financial Officer, and the Director of Corporate Affairs. All of the meetings held were quorate.

As a matter of good practice, the Committee core membership were offered an opportunity to meet privately with the Trust's Internal and External auditors prior to some of the meetings throughout the year. These private meetings are not documented on the formal agenda, which is a learning point for future years.

3. Core Functions of the Audit Committee

This section is an overview of the core areas where the Committee is expected to operate its statutory function and provides assurances that the Audit Committee has fulfilled its duties. A summary of the findings from the “Committee Processes” self-assessment checklist survey is provided below and supporting additional comments are made on any areas of exception.

3.1 Composition, establishment and duties		Yes	No
1	Does the Audit Committee have written terms of reference and have they been approved by the Board?	9	0
2	Are the terms of reference reviewed annually?	6	3
3	Has the committee formally considered how it integrates with other committees that are reviewing risk?	5	4
4	Are the outcomes of each meeting and any internal control issues reported to the next Board meeting?	9	0
5	Does the committee prepare an annual report on its work and performance for the Board?	5	4
6	Has the committee established a plan of matters to be dealt with across the year?	8	1
7	Are committee papers distributed in sufficient time for members to give them due consideration?	8	1

3.1 The findings from the self-assessment survey reflect the fact that the Audit Committee has not been reviewing its terms of reference annually and has not been completing an annual report in recent years (partly due to the Covid-19 pandemic and partly due to the enhanced focus on prior years’ annual accounts). However, this has since been addressed as the terms of reference and annual workplan were reviewed by the Committee at its December 2022 meeting and the annual reporting process has now been re-established. The Board Assurance Framework and the Significant Risk reports are scheduled to be considered on a quarterly basis and the Risk Management Strategy is presented annually in December. Subject to availability, the agenda and papers are usually circulated 3 clear working days prior to each meeting.

3.2 Internal control and risk management		Yes	No
8	Has the committee reviewed the effectiveness of the organisation’s assurance framework?	8	1

9	Does the committee receive and review the evidence required to demonstrate compliance with regulatory requirements – for example, as set by the Care Quality Commission?	6	3
10	Has the committee reviewed the accuracy of the draft annual governance statement?	9	0

3.2 The Audit Committee receives regular and timely escalation reports from the Quality Committee on the evidence required to demonstrate compliance with regulatory requirements. The Committee regularly receives reports arising from Internal Audit reviews of qualitative issues (eg the Quality Impact Assessment Process in May 2022 and Cancelled Operations in August 2022). If regulatory compliance reports are expected to be presented directly to the Audit Committee as stand-alone reports in future years, then an adjustment to the Committee’s workplan will be required.

3.3 Annual report and accounts and disclosure statements		Yes	No
11	Does the committee receive and review a draft of the organisation’s annual report and accounts?	9	0
12	Does the committee specifically review: <ul style="list-style-type: none"> • The going concern assessment • Changes in accounting policies • Changes in accounting practice due to changes in accounting standards • Changes in estimation techniques • Significant judgements made in preparing the accounts • Significant adjustments resulting from the audit • Explanations of any significant variances? 	9	0
13	Is a committee meeting scheduled to discuss any proposed adjustments to the accounts and audit issues?	9	0
14	Does the committee ensure it receives explanations for any unadjusted errors in the accounts found by the external auditors?	9	0

3.3 The Audit Committee has been confirmed as 100% compliant in respect of the above core functions.

3.4 Internal audit		Yes	No
15	Is there a formal ‘charter’ or terms of reference, defining internal audit’s objectives and responsibilities?	9	0

16	Does the committee review and approve the internal audit plan and any changes to the plan?	9	0
17	Is the committee confident that the audit plan is derived from a clear risk assessment process?	8	1
18	Does the committee receive periodic progress reports from the head of internal audit?	9	0
19	Does the committee effectively monitor the implementation of management actions arising from internal audit reports?	9	0
20	Does the head of internal audit have a right of access to the committee and its chair at any time?	9	0
21	Is the committee confident that internal audit is free of any scope restrictions, or operational responsibilities?	8	1
22	Has the committee evaluated whether internal audit complies with the Public Sector Internal Audit Standards?	7	2
23	Does the committee receive and review the head of internal audit's annual opinion?	9	0

3.4 There is some scope to increase the visibility of the Internal Audit risk assessment process amongst the Non-Executive Directors and the External Auditors as they are currently not sighted to the process which is undertaken at an Executive level on an annual basis. Feedback from question 22 indicates that there is some uncertainty on the scheduling of the self-evaluation process within the calendar of business, rather than disputing whether it is taking place.

3.5 External audit		Yes	No
24	Do the external auditors present their audit plan to the committee for agreement and approval?	9	0
25	Does the committee review the external auditor's ISA 260 report (the report to those charged with governance)	9	0
26	Does the committee review the external auditor's value for money conclusion?	9	0
27	Does the committee hold periodic private discussions with external auditors?	6	3
28	Does the committee assess the performance of external audit?	5	4
29	Does the committee require assurance from external audit about its policies for ensuring independence?	7	2

30	Has the committee approved a policy to govern the value and nature of non-audit work carried out by the external auditors?	6	3
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3.5 Feedback in response of questions 27 to 30 (inclusive) indicates that there is some further work required internally to improve the Audit Committee's level of assurance relating to External Audit's performance, independence, and value for money, although it is recognised that this contract is relatively new. As noted in section 2 above, any private meetings held between the Audit Committee membership and External Auditors are not documented on the formal agenda, which is a learning point to be addressed.

3.6 Clinical audit		Yes	No
31	If the committee is NOT responsible for monitoring clinical audit, does it receive appropriate assurance from the relevant committee?	5	4

3.6 An annual review of Clinical Audit systems and processes is scheduled to be provided to the Audit Committee according to the work programme, but the date for this review needs to be confirmed and progressed as a priority. The date of the most recent Clinical Audit review by the Audit Committee has not been established at the time of writing this report.

3.7 Counter fraud		Yes	No
32	Does the committee review and approve the counter fraud work plans, and any changes to the plans?	9	0
33	Is the committee satisfied that the work plan is derived from an appropriate risk assessment and that coverage is adequate?	9	0
34	Does the audit committee receive periodic reports about counter fraud activity?	9	0
35	Does the committee effectively monitor the implementation of management actions arising from counter fraud reports?	9	0
36	Do those working on counter fraud activity have a right of direct access to the committee and its chair?	9	0
37	Does the committee receive and review an annual report on counter fraud activity?	9	0
38	Does the committee receive and discuss reports arising from quality inspections by NHSCFA?	9	0

3.7 The Audit Committee has been confirmed as 100% compliant in respect of the above core functions.

4. Committee Effectiveness

As part of the self-evaluation process, a second checklist was circulated seeking views on the Audit Committee's effectiveness. The detailed findings of this survey are provided below (for completeness), but there were no instances where anyone strongly disagreed with any of the statements. It is intended to use this feedback as a benchmark for the 2023-24 Audit Committee Annual Report:-

No	Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Unable to Answer
Theme 1 – committee focus						
1	The committee has set itself a series of objectives for the year.	1	6	2	0	0
2	The committee has made a conscious decision about the information it would like to receive.	0	7	1	0	1
3	Committee members contribute regularly to the issues discussed.	2	7	0	0	0
4	The committee is aware of the key sources of assurance and who provides them	4	5	0	0	0
5	Equal prominence is given to both quality and financial assurance.	0	3	6	0	0
Theme 2 – committee team working						
6	The committee has the right balance of experience, knowledge and skills to fulfil its role.	2	7	0	0	0
7	The committee has structured its agenda to cover quality, data quality, performance targets and financial control.	1	3	5	0	0
8	The committee ensure that the relevant executive director attends meetings to enable it to understand the reports and information it receives.	3	5	1	0	0
9	Management fully briefs the committee on key risks and any gaps in control.	1	8	0	0	0
10	Other committees provide timely and clear information in support of the audit committee.	0	8	0	0	1
11	The committee environment enables people to express their views, doubts and opinions.	2	7	0	0	0

No	Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Unable to Answer
12	Committee members understand the messages being given by external audit, internal audit and counter fraud specialists.	1	8	0	0	0
13	Internal audit contributes to the debate across the range of the agenda	0	8	0	0	1
14	Members hold their assurance providers to account for late or missing assurances.	0	6	1	0	2
15	Decisions and actions are implemented in line with the timescale set down.	0	7	2	0	0
Theme 3 – committee effectiveness						
16	The quality of committee papers received allows committee members to perform their roles effectively.	0	8	1	0	0
17	Members provide real and genuine challenge – they do not just seek clarification and/or reassurance.	2	7	0	0	0
18	Debate is allowed to flow and conclusions reached without being cut short or stifled.	1	8	0	0	0
19	Each agenda item is ‘closed off’ appropriately so that the committee is clear on the conclusion; who is doing what, when and how, and how it is being monitored.	2	7	0	0	0
20	At the end of each meeting the committee discuss the outcomes and reflect on decisions made and what worked well, not so well etc.	2	4	3	0	0
21	The committee provides a written summary report of its meetings to the Board.	4	4	0	0	1
22	The Board challenges and understands the reporting from this committee.	0	5	1	0	3
23	There is a formal appraisal of the committee effectiveness each year.	0	5	2	0	2
Theme 4 – committee engagement						
24	The committee challenges management and other assurance providers to gain a clear understanding of their findings.	3	6	0	0	0

No	Statement	Strongly Agree	Agree	Disagree	Strongly Disagree	Unable to Answer
25	The committee is clear about its role in relationship to other committees that play a role in relation to clinical governance, quality and risk management.	2	4	0	0	3
26	The committee receives clear and timely reports from other Board committees which set out the assurances they have received and their impact (either positive or not) on the organisation's assurance framework.	0	4	5	0	0
27	We can provide two examples of where we as a committee have focused on improvements to the system of internal control as a result of assurance gaps identified.	2	6	0	0	1
Theme 5 – committee leadership						
28	The committee chair has a positive impact on the performance of the committee.	7	2	0	0	0
29	Committee meetings are chaired effectively.	7	2	0	0	0
30	The committee chair is visible within the organisation and is considered approachable.	4	2	0	0	3
31	The committee chair allows debate to flow freely and does not assert his/her own view too strongly.	3	6	0	0	0
32	The committee chair provides clear and concise information to the Board on committee activities and gaps in control.	5	4	0	0	0