

REPORT TO THE TRUST BOARD IN PUBLIC
27 January 2022

Title	Audit Committee 11 January 2022 – Chair of the Meeting Report
Chair of the meeting	Deborah Wheeler, Non-Executive Director
Author	Cathy Lilley, Director of Corporate Governance

Purpose of the report

To bring to the Board's attention key issues and assurances discussed at the Audit Committee meeting held on 11 January 2022.

Key messages

The Committee considered a range of items including cyber security; updates from external audit covering audit planning for 2021-2022, sector update, and external audit actions update; update on deficiencies from 2020-2021 audit; internal audit; counter fraud; BAF and deep dive into risks 5 and 6; waivers and breach process; and Quality Assurance Committee minutes.

- **External Audit 2021-2022 Planning:** Report provided an overview of the key audit matters recommended by BDO, the Trust's external auditors, in respect of the planned audit strategy for the year ending 31 March 2022 covering the audit scope, objectives and risks; materiality; and timelines. The Committee:
 - Satisfied with the proposed planning materiality at 1.75% of forecast gross expenditure for the year; however, this will be revised when draft financial statements are received for audit
 - Received assurance it is standard practice for auditors to consider the valuation of land and buildings as a significant risk as it is subject to assumptions, estimates and changes in values
 - Noted that the 'impact of climate change' assessment is around how the likelihood of it impacting on numbers in financial statements is reflected, e.g. should significant building works have to be undertaken in relation to climate change
 - Received assurance that the changes in the joint approach to the audit process by BDO and the Finance Team are working well
 - Approved the proposed 10% increase in fees relating to work around value for money arrangements as was assured this is consistent with current market values
 - Noted that the planned debriefing session following this year's audit process will include a review of the potential impact of forthcoming system changes on the Trust's financial arrangements and planning for 2023-2024.
- **External Audit Deficiencies Update:** Good progress is being made with the actions agreed with external audit following the deficiencies identified with the audit of the 2020-2021 annual accounts; all deficiencies including three from the previous year have been addressed with improvements implemented, and will be tested as part of the 2021-2022 external audit.
- **Cyber Security:**
 - Continued focus on the Trust's Cyber status with a range of improvements being made with ongoing support from NHS Digital and Gartner
 - National funding received from NHS Cyber Security Fund to remediate the most 'at risk' areas, as well as additional funding for Cyber security detection and response system
 - Ongoing threats to Cyber security is being managed via weekly national Cyber working group and a Cyber action and remediation plan is being actioned
 - Gold command approach to manage issues and risks in respect of cloud storage
 - A business continuity planning exercise will be undertaken taking account of recent learnings from both the Cyber security and cloud issues, to build resilience
 - Plans are in place to benchmark the Trust against new good practice guidance from the National Audit Office on Cyber security which will provide improved national assurance.

- **Board Assurance Framework: Deep Dive Risks 5 and 6 – improved staff experience**

Tanya Carter presented the deep dive review:

Risk 5: *If the Trust fails to effectively plan for, recruit and retain people with the right skills, this may adversely impact on the Trust's ability to deliver the Trust's strategy*

Risk 6: *If issues affecting staff experience are not effectively addressed, this will adversely impact on staff motivation*

- Current challenge is compliance with statutory and mandatory training. Actions include planning a directed survey to establish reasons for non-compliance; it is hoped that the new Learning Management System will enable easier online learning
- Continuing to monitor the potential for increased risk scores based on levels of staff burnout, balancing agreements for the carryover of leave with the need for people to take time to rest and staff working lengthy hours
- Working on data collection and analysis to identify potential impact on staffing as a result of mandatory vaccinations for staff; this may necessitate an increase in the risk score
- There are a high number of projects focusing on recruitment and retention, with the aim to provide better oversight and improved systems whilst continuing to treat staff well and with compassion
- Priorities within the Trust's new strategy and wider programme of work may need to be re-phased to create space for addressing the people issues highlighted in this report. Important that the multiple strands of work required to achieve the strategy do not compound staffing challenges further
- The Committee requested more focus on actions around retention work to be highlighted in the future reports.

- **Board Assurance Framework (appendix 1 and 2)**

- The BAF dashboard (appendix 1) provides an overview of the risks and summarises the movement on the risk scores/progress on achieving the target scores for all risks; there are no changes to the risks scores since the last review and no new risks added
- A summary report is also provided for each BAF risk (appendix 2) which includes a progress section that highlights what is going well including future opportunities, the current challenges including future risks, and how these challenges are being managed – changes are in **blue font** for ease of reference
- The lead Board committees continue to review their assigned risks at each meeting
- The Committee:
 - o Agreed that appropriate controls are in place and operating effectively
 - o Requested that more explicit explanations are included in response to the perceived lack of movement in the residual scores particularly where there have been fluctuations
 - o Noted a review of the BAF risks for 2022-2023 and the Trust's risk appetite will be taken forward at a Board seminar; and that the feedback from the internal audit on risk management and culture as well as the recent RSM publication on BAF Deep Dives will provide timely information.

- **Counter Fraud**

- There are a number allegations in relation to Covid (vaccinations/passports) that are being investigated across the country
- The Trust has a number of investigations involving suspected fraudulent vaccine entries on the National Immunisation and Vaccine System (NIVS) and is assisting the police and other counter fraud providers on their investigations
- The Committee received assurance that no high or extreme risks were identified following the fraud risk assessment against the new Government functional standards, and requested that future reports highlights any implications.

- **Waivers and Breach Report**

- One waiver approved in November and December 2021 and no breaches during this period
- The system of exemptions will be reviewed taking account of the Trust's role and work as part of the provider collaborative and wider system.

Previous Minutes: The approved minutes of the Audit Committee meeting held on 11 November 2021 are available on request by Board Directors from the Director of Corporate Governance.