

Cover Sheet

Trust Board Meeting in Public: Wednesday 11 September 2024

TB2024.85

Title: **Audit Committee Chair's Report**

Status: **For Information**

History: **This is a regular report to the Board**

Board Lead: **Committee Chair**

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Confidential: **No**

Key Purpose: **Assurance**

Audit Committee Chair's Report

1. Purpose

- 1.1. As a Committee of the Trust Board, the Audit Committee provides a regular report to the Board on the main issues raised and discussed at its meetings.
- 1.2. Since the last report to the Board held in public, the Audit Committee had met on 19 and 26 June 2024. On behalf of the Audit Committee, the Chair received the final Audit Results Report on 27 June 2024. In addition, a reading session for the Annual Report and Accounts was held on 5 June 2024.
- 1.3. Under its terms of reference, the Committee is responsible for providing assurance to the Trust Board on the Trust's system of internal control by means of independent and objective review of financial and corporate governance and risk management arrangements, including compliance with law, guidance, and regulations governing the NHS.

2. Annual Report and Accounts

- 2.1. A key area of focus during this period was to inform the Board and consider the required assurance in relation to year-end reporting for 2023/24. The Annual Report and Accounts 2023/24 were approved by Board on 26 June 2024 and were laid before Parliament on 1 August 2024.
- 2.2. The Auditor's Annual Report 2023/24 was presented to the meeting of the Council of Governors on 10 July 2024 by Ms Janet Dawson, Partner at EY, the Trust's external auditors.
- 2.3. The committee reviewed the draft statutory accounts prepared for the financial year 2023/24.
- 2.4. The Committee considered specific additional evidence from management on:
 - 2.4.1. The going concern assumption in the accounts;
 - 2.4.2. Key judgements and estimates made by management, in particular around the valuation of the Modern Equivalent Asset and the mandated adoption of IFRS 16 to PFI liabilities;
 - 2.4.3. Evidence submitted to support EY's Value for Money assessment.
- 2.5. Based on the evidence reviewed, the Committee recommended the accounts as prepared on a going concern basis and supported the key judgements and estimates made by management.
- 2.6. The Committee reviewed the report on the representations from management and those charged with governance to the Trust's external auditors, EY.

- 2.7. A detailed and holistic review of the Annual Report was conducted during a focused reading session and at the June meetings. Following the Committee's review, additional context was provided to improve understanding of the indicators in the Performance Report.
- 2.8. The Committee reviewed the evidence presented in support of income disclosures as required by section 43(2A) of the NHS Act 2006 and endorsed the conclusion that non-NHS income had not resulted in significant interference with the Trust's principal purpose.
- 2.9. The Committee conducted a detailed review of the Annual Governance Statement and was satisfied that the Trust's control environment was accurately represented.

3. Audit and Counter Fraud

Internal Audit

- 3.1. The Committee considered the Internal Audit Annual Report and Head of Internal Audit Opinion from the Trust's internal auditors, BDO. The Committee noted that for 2023/24, the Head of Internal Audit Opinion provided the Trust with a rating of Moderate assurance that there was a sound system of internal controls, designed to meet the Trust's objectives and that controls were being applied consistently across various services. This opinion is consistent with the previous year.
- 3.2. The Committee noted that there were no overdue internal audit recommendations. BDO and management confirmed that strong working relationships were in place.
- 3.3. BDO presented two final internal audit reports:
 - 3.3.1. Key Financial Systems (Design: Substantial Assurance; Effectiveness: Moderate Assurance); and
 - 3.3.2. Corporate Governance (Unrated Advisory Report).
- 3.4. The Committee considered a briefing note on the Patient Safety Incident Response Framework and requested that the note be considered by the Trust's Clinical Governance Committee.

External Audit

- 3.5. The Trust's external auditors, EY, presented the Audit Results Report 2023/24. EY confirmed that there were no material findings to report and that the audit had been conducted with good engagement and appropriate challenge. It was acknowledged that there was more work to do to smooth the process for 2024/25.
- 3.6. The Committee supported the approach to unadjusted items agreed between EY and management on the basis of immateriality.

- 3.7. EY made two new control recommendations in 2023/24 which related to the alignment of general ledger data to disclosure notes in the accounts and investment property records. Management agreed to consider its response. Of the seven control recommendations made in 2022/23, three were considered cleared. The remaining four related to record-keeping in the fixed asset register, plant and machinery asset identification and useful lives, and documentation retention in relation to judgements on complex accounting issues.
- 3.8. The Auditor's Annual Report 2023/24, including the Value for Money Assessment was received by all Trust Board members. The report confirmed EY's opinion that no actual significant weaknesses had been identified in relation to the three reporting criteria: Financial sustainability, Governance, or Improving economy, efficiency and effectiveness. No recommendations had been made.
- 3.9. The Committee reviewed the draft Management Representation Letter. Two specific representations in relation to Modern Equivalent Asset estimates and risk around the implication of IFRS 16 for PFI contracts. No new general representations were required over and above those required for all of EY's NHS clients.
- 3.10. The Committee agreed that it would hold a separate meeting with the Chief Finance Officer and EY to discuss the 2023/24 audit process and enhancements to be put in place for 2024/25.

Counter Fraud

- 3.11. The Trust's Counter Fraud Specialist Advisors, TIAA, issued its Anti-Crime Services Annual Report which concluded that there were no frauds subject to investigation that met the materiality threshold for referral to the Trust's external auditors, and that no significant failures or control weaknesses were identified that impact on the Trust's Annual Governance Statement.
- 3.12. The Trust's self-assessment against the Government Counter Fraud Functional Return was rated as green, with four areas rated as amber. The Committee agreed that Requirement Three could remain amber on an ongoing basis as achieving a green rating required an inappropriate level of resource. Of the remaining amber items, two related to the use of the NHS Counter Fraud Authority system CLUE and would be taken forward by TIAA. The remaining amber item would be addressed by a targeted training programme

4. Risk, Assurance, Governance and Regulation

Board Assurance Framework and Corporate Risk Register

- 4.1. The Board Assurance Framework and Corporate Risk Register for 2023/24 was reviewed by the Committee.

Data Security and Protection (DSP) Toolkit Submission

- 4.2. The Committee was briefed on the DSP Toolkit submission. Assurance was provided that all findings following penetration testing had been resolved.

5. Financial Governance

- 5.1. The Committee considered the annual report on single tender waivers and suggested improvements in the presentation of the data to enable Committee members to identify patterns more easily.

6. Key Actions Agreed

- 6.1. The Committee recommended that the Trust Board approve the Annual Report and Accounts, including Annual Governance Statement and Management Representation Letter.
- 6.2. A follow up session between Committee members, EY and senior members of the Finance Team would be arranged.

7. Recommendations

- 7.1. The Trust Board is asked to **note** the contents of this report.