

## **Audit Committee**

### **Annual Report**

**Financial Year 1 April 2019 to 31 March 2020**

**May 2020**

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## **1 Period covered by the report**

This report covers the work of the Audit Committee for the financial year 1 April 2019 to 31 March 2020.

## **2 Introduction**

In line with statutory requirements, the Board of Directors formally established the Trust's Audit Committee Trust. The Committee provides an independent and objective review of the Trust's internal controls.

It seeks high-level assurance on the effectiveness of:

- the Trust's governance (corporate and clinical)
- risk management, and
- systems of internal control.

It reports to the Board on its level of assurance gained. The Committee receives assurance from the Executive Management Team and other areas of the organisation through reports, both regular and bespoke. It validates the information it receives through the work of Internal Audit, External Audit, and Local Counter Fraud. Assurance is also brought to the Committee through the knowledge that Non-Executive Directors gain from other areas of their work, not least their own specialist areas of expertise; attending Board and Council of Governors' meetings; visiting services; and talking to colleagues.

Should the Trust's External Auditors (currently KPMG) carry out any non-audit work, the Audit Committee has responsibility for ensuring that their independence is maintained. The Committee will do this by reviewing and approving the scope of the work and the fees charged prior to the work being undertaken. The substantive membership of the Audit Committee is made up of three Non-Executive Directors, in line with best practice and good governance standards. The Chair of the Trust may not be a substantive member of the Committee. The other Non-Executive Directors may be invited to attend on an ad-hoc basis, either when it is deemed appropriate to attend for a particular agenda item, or to ensure quoracy.

This report covers the work the Committee has undertaken at formal meetings held during 2019/20. It seeks to assure the Board on the work it has carried out and the assurances it has received, and to demonstrate that it has operated within its Terms of Reference.

### **COVID-19 Response**

In March 2020, the Committee responded as a result of the COVID-19 pandemic to ensure that business continuity remains for the Committee where possible, noting the additional flexibility required. The Chair of the Committee subsequently joined the Gold Command meetings. This ensures that the Committee, through the Chair, is sighted on the Trust's management of risks during the COVID-19 response.

Formal reports on the Trust's business continuity plans for all corporate governance meetings have been presented to the Board of Directors. The Board formally agreed to establish standing items on each corporate governance meeting for: COVID-19 Update; and Management of Deferred Items.

Secretariat support is provided by the Executive Support Team, who work with the Deputy Director of Finance in relation to agenda planning; minutes; managing cumulative action logs; and general meeting support.

### **Development**

The Trust promotes continuous quality improvement through the Care Trust Way and identified external best practice. For the Committee, this has involved frequent reviews of reports presented, with approved changes being embedded within the work of the Committee. During 2018/19 Deloitte undertook an external Well Led review of the Trust. The review featured the Board and supporting sub-committee meetings and resulted in a series of recommendations that have been embedded during 2019/20. During quarter four of 2019/20 Internal Audit undertook a Governance Review of all Board sub-committees. The report was rated as providing a Significant level of assurance.

### **Assurance**

Part of the Committee's assurance role is to receive the Board Assurance Framework (BAF); a primary assurance document for the Board, which details those key controls in place to ensure that the risks to achieving the strategic objectives are being well managed. The BAF lists those committees that are responsible for receiving assurance in respect of the effectiveness of those controls. The Committee reviews the BAF at each meeting prior to it being presented to the Board. Additionally, the agenda has been modified so that the BAF is appraised prior to other agenda items so these items can be viewed in the context of the BAF.

The Chair of the Committee provides an update report to Council of Governors meetings held in public on the activities of the Committee, including areas where assurance had been received and areas requiring further development. This provides the Governors with an opportunity to hear more on the work of the Trust and see the Non-Executive Director fulfilling their role.

Non-Executive Director members of the Committee independently meet External Audit to receive additional assurance. The meetings are convened as required throughout the year and are on specific topics nominated by Committee members.

### **3 Terms of Reference**

During Autumn 2019 the Terms of Reference for the Committee were presented to members for approval. The document has been updated to use the template within the Trust's Care Trust Integrated Governance Guide.

The approved amendments to the Committee Terms of Reference are listed in Appendix 1.

Following approval by the Committee of the revised Terms of Reference, they were subsequently ratified by the Board on 30 January 2020.

The Committee carried out a review of its effectiveness in Autumn 2019 which utilised the Maturity Matrix developed by Audit Yorkshire/360 Assurance/Good Governance Institute. Most responses received were in the 'improving' or 'mature' categories, with two areas felt to be in the 'best practice' category. They were: relationships with other Committees; and relationships with Local Counter Fraud Specialist. The outcome of the review was subsequently discussed by the Committee and reported formally to the Board.

At the Board meeting on 30 April 2020, the Board agreed to minor revisions being made to the Terms of Reference documents for: Audit Committee; Finance, Business and Investment Committee; Mental Health Legislation Committee; Quality and Safety Committee. This was due to the establishment of the Workforce and Equality Committee being formally established and the requirement to align all of the Board sub-committee terms of reference documents accordingly.

### **4 Meetings of the Committee**

In 2019/20, the Committee met independently five times. The dates of the meetings are as follows:

- 15 April 2019
- 21 May 2019
- 2 September 2019
- 25 November 2019
- 24 February 2020.

The draft agenda for each meeting is presented to the Chair of the Committee; and the Director of Finance, Contracting and Facilities by the Deputy Director of Finance and the Committee Secretariat.

Paperwork for the Committee is circulated seven calendar days prior to the meeting taking place. All actions pertaining to the meetings of the Committee are tracked on a cumulative action log and presented to each meeting for assurance with progress made. Overdue internal audit actions are escalated to the Board.

### **5 Membership of the Committee and attendance at meetings**

Membership of the Committee is made up of three Non-Executive Directors.

The Chair of the Trust may not be a member of the Committee to ensure that their independence is maintained. The Director of Corporate Affairs; Director of Finance, Contracting and Facilities; Internal Audit; External Audit; Local Counter Fraud; Deputy Director of Finance; and the Corporate Governance Manager and Deputy Trust Board Secretary attend each meeting.

The Committee is chaired by a Non-Executive Director (NED). David Banks held the position until 30 November 2019 when he reached the end of his term of office. Andrew Chang became the Chair of the Committee in December 2019.

Rob Vincent (until 29 February 2020) and Zulfi Hussain are the other regular NED members of this Committee. Should the Chair be unable to chair the meeting this role will fall to another NED. The inclusion of Finance, Business and Investment Committee (Rob Vincent until 29 February 2020) and Charitable Funds Committee (Zulfi Hussain from December 2019) Chairs allow horizontal communication across Board sub-committees. David Banks, whilst in position as a NED, was the Chair of the Charitable Funds Committee until he reached the end of his term of service on 30 November 2019.

Subject area experts are also invited to attend the meetings as appropriate, to provide expertise and knowledge on the areas that they are responsible for. On these occasions, they are attendees and do not count towards membership of the Committee at those meetings as outlined in the Terms of Reference.

The Trust also invites Governors to observe Board sub-committee meetings. This opportunity allows Governors to observe the work of the Committee, rather than to be part of its work as they are not part of the formal membership of the Committee. Governors observe Board sub-committee meetings in order to get a better understanding of the work of the Trust and to observe Non-Executive Directors appropriately challenging the Executive Directors about the operational performance of the Trust.

The tables included at Appendix 2 show attendance for substantive members of the Committee and other attendees for the meetings that took place during 2019/20.

## **6 Reports made to the Board of Directors**

The Chair of the Committee provides an assurance and escalation report regarding the most recent meeting of the Committee to the next available Board of Directors' meeting. The report has been redesigned by the Corporate Governance Manager and Deputy Trust Board Secretary to improve clarity and facilitate standardisation across escalation reports to Board. This report seeks to assure the Board on the main items discussed by the Committee and, should it be necessary, to escalate to the Board any matters of concern or urgent business which the Committee is unable to conclude.

The Board may then decide to give direction to the Committee as to how the matter should be taken forward or it may agree that the Board deals with the matter itself.

Where the Board wants greater assurance on any matters, the Board may ask for these to be looked at in greater detail by the Committee.

<b>Date of meeting</b>	<b>Assurance and escalation report to Board by Chair</b>
15 April 2019	25 April 2019
21 May 2019	30 May 2019
2 September 2019	26 September 2019
25 November 2019	28 November 2019
24 February 2020	27 February 2020

The table above lists the dates that the assurance and escalation reports were presented by the Chair of the Committee to the Board of Directors meeting.

Each year, the Committee presents an annual report to the Board of Directors to provide assurance on how the Committee has carried out activity in line with its Terms of Reference. Each Board sub-committee also provides a Chair's Report to the formal Council of Governors meetings. The reports outline areas where assurance had been received by the Committee and those areas requiring further development. This provides an opportunity for the Governors to further understand the work of the Trust whilst observing the Non-Executive Directors fulfilling their role.

## **7 The work of the Committee during the year 1 April 2019 until 31 March 2020**

The Chair of the Committee confirms that during 2019/20 the Committee has carried out its role in accordance with its terms of reference. Further details of all these areas of work can be found in the minutes and papers of the Committee.

A high-level presentation of areas of work on which the Committee has received assurance and during 2019/20 are included in Appendix 3.

## **8 Conclusion**

As the primary governance sub-committee of the Board of Directors the Audit Committee preserved its independence from operational management by not having executive membership (although members of the Executive Management Team support the Committee by providing information and context only). It added value by maintaining an open and professional relationship with Internal Audit; External Audit; and Local Counter Fraud. It carried out its work diligently, discussed issues openly and robustly, and kept the Board apprised of any

possible issues or risks. The Committee fulfilled its work programme for 2019/20 and provided assurances to the Board for any issues referred to it.

The Chair of the Audit Committee considers that the Committee has fulfilled its role as the Board of Directors' senior governance committee and provided assurance to the Board on the adequacy and effective operation of the organisation's internal control systems.

Members of the Audit Committee would like to thank all those who have responded to its requests during the year and who have supported it in carrying out its duties.

The Board is asked to recognise how the Committee supports the ongoing continuous improvement journey both at the Trust and on its own effectiveness.

Members of the Committee would like to thank all those who have responded to its requests during the year and who have supported it in carrying out its duties.

## **May 2020**

<b>Fran Limbert</b>	<b>Corporate Governance Manager and Committee Secretariat</b>
<b>Claire Risdon</b>	<b>Deputy Director of Finance</b>
<b>Andrew Chang</b>	<b>Non-Executive Director and Chair of the Committee</b>

## **Appendix 1 Changes to Audit Committee Remit**

- Terms of Reference transferred onto the new Trust terms of reference template as supported by the Care Trust Integrated Governance Guide
- Section 2, expanded to recognise regular attendees and their role in the Committee, and that governors are invited to attend to observe the Committee meetings
- Section 3, expanded to include guidance on deputies, and action as a result of a non-quorate meeting
- Section 4, to include the Committee's responsibility to provide assurance and escalation to the Board of Directors
- Section 5, expanded in the powers, establishment and cessation for the Committee
- Section 6, to include the Trust's new values
- Section 7, diagram that shows the Board of Directors meeting structure
- Section 8, expanded to include the duties of the Chair
- Section 9, expanded to include the requirement of an annual effectiveness review
- Scheduled of deputies now included in line with the good practice articulated in the Care Trust Integrated Governance Guide.

## Appendix 2 Attendance at Committee Meetings

### Key:

- ✓ shows attendance
- shows when apologies had been given by a member for a particular meeting.
- stipulates when the individual was not eligible to attend the meeting
- \* stipulates the Chair of the meeting
- \*\* stipulates attended to observe the meeting

### Attendance at Committee meetings by Substantive Members

Name	15 April 2019	21 May 2019	2 September 2019	25 November 2019	24 February 2020
David Banks Chair of the Committee (Non-Executive Director)	✓*	✓*	✓*	✓*	■
Andrew Chang Chair of the Committee (Non-Executive Director)	■	■	■	**	✓*
Zulfi Hussain (Non-Executive Director)	✓	✓			✓
Rob Vincent (Non-Executive Director)	✓	✓			✓

### Attendance at Committee meetings by formal attendees

Name	15 April 2019	21 May 2019	2 September 2019	25 November 2019	24 February 2020
Chris Boyne (Internal Audit)	✓	✓	✓	✓	
Bev Bray (Head of Quality Governance and Patient Safety)	■	■	■	✓	■
Mike Hammerton (External Audit)	✓	✓	✓	■	■
Daniel Hayes (Internal Audit)	✓	✓	-	■	■
Paul Hogg	✓	✓	✓	✓	✓

Name	15 April 2019	21 May 2019	2 September 2019	25 November 2019	24 February 2020
(Director of Corporate Affairs)					
Rashpal Khangura (External Audit)	-	-	-	✓	
Brent Kilmurray (Chief Executive)	✓	✓			
Fran Limbert (Corporate Governance Manager and Deputy Trust Board Secretary)		✓	✓	✓	-
Alison Ormston (External Audit)	✓	✓	-	-	
Claire Risdon (Deputy Director of Finance)	✓	✓	✓	✓	✓
Liz Romaniak (Director of Finance, Contracting and Facilities)	✓	✓	✓	✓	✓
Tim Rycroft (Chief Information Officer)			✓		
Leanne Sobratee (Internal Audit)					✓
Helen Kemp Taylor (Internal Audit)	-	-	-	-	✓
Rob Jones (External Audit)					✓
Badar Abbas (External Audit)					✓
Lee Swift (Local Counter Fraud)	✓	-	✓	✓	✓
Katie Thompson (Claims and Complaints Manager)				✓	
Justin Williams (Local Counter Fraud)	-	✓			

Key:

- ✓ shows attendance
- shows when apologies had been given for a particular meeting
- stipulates when the individual was not eligible to attend the meeting

### **Appendix 3 Areas of Work Considered by the Committee**

#### Quality Report:

- At its May 2019 meeting reviewed the Quality Report for 2018/19 before being presented to the Board of Directors for approval. It also received the audit report on the Quality Report and was advised that there were no significant matters to report.

#### Risk Management:

- The Director of Nursing, Professions and Care Standards Directorate presents a litigation report bi-annually to the Committee.

#### Board Assurance Framework:

- Received the Board Assurance Framework for assurance on both the content and the process.

#### Annual Report and Accounts for 2018/19:

- The Annual Report and Accounts for 2018/19 were reviewed prior to being presented to the Board of Directors for adoption in May 2019.
- The ISA 260 (which is the report to those charged with governance on the annual accounts) was also received and the findings from the audit of the annual accounts discussed.
- The Head of Internal Audit Opinion and the Annual Governance Statement were reviewed and found to be consistent.

#### Internal Audit:

- Approved the Internal Audit Annual Plan.
- Received internal audit progress reports on a regular basis to update the committee on the major findings, with assurance being provided on the actions taken to address any weaknesses in the systems of control.
- The Internal Audit Annual Report was received which brought together all the findings from across the year.
- In addition to the update reports received from Internal Audit the committee also received specific assurances from the lead Executive Directors in respect of “limited assurance” reports. The lead Executive Directors assured the committee on the actions being taken to address the recommendations and also on the progress against those actions.

#### Local Counter Fraud:

- Approved the Local Counter Fraud Annual Plan.
- Received assurances about the processes in place to tackle fraud and bribery.
- Local Counter Fraud progress reports were received on a regular basis in respect of those cases that can be reported to the Committee in order to update the Committee on the major findings and any lessons learnt from individual cases.
- The Local Counter Fraud Annual Report was also received which brought together to work from across the year.

#### External Audit:

- Reviewed and approved the work plan and the associated fee

- Received regular update reports about the work of the auditors and also information about changes within the health sector which will impact on the Trust.
- Received details of relevant sector updates along with assurances on how the executive directors had implemented or taken account of the guidance contained in the update report.
- Reviewed the wording for the year-end Letter of Representation.

#### Action Tracking:

- Received regular reports in respect of progress with the implementation by managers of agreed audit recommendations and sought assurance on progress in particular with a number of outstanding actions. The Committee also received specific assurance on the process for dealing with and monitoring outstanding actions.

#### Registers:

- The Committee carried out a review of the Hospitality, Sponsorship and Gifts Register to ensure the appropriateness and completeness of the content.
- Reviewed the waiver of standing orders and standing financial instructions; proposed write off of outstanding debt; and losses and special payments registers.

#### Other governance items:

- Reviewed and approved changes to the Standing Financial Instruction and Standing Orders.
- Received the Annual Update from the Freedom to Speak Up Guardian.
- Received the Annual Report for Information and Data Assurance.
- Presentation of the Charitable Funds Committee Annual Report and Account, ISA 260 and Letter of Representation.
- Received assurance on information technology starters, leavers and change processes.
- IFRS16 Reporting Timetable.
- Received assurance on overseas charging.
- Received assurance on the Trust's strategy and policy management framework.
- Received the report outlining the approach to adopt the Modern Equivalent Asset (MEA) Valuation for the Trusts specialised assets.