

## Trust Board 27 September 2022

### Audit and Assurance Committee Annual Review 2021/22

#### Purpose

To provide an annual review of the effectiveness of the Audit and Assurance Committee for 2021/22

#### Analysis of the issue

The Audit and Assurance Committee is a Non-executive Director led Committee of the Trust Board comprised of independent Non-executive Directors and Executive Directors with portfolio lead for the finance and performance agenda. The purpose of the Committee is to review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical) that supports the achievement of the organisation's strategic objectives and statutory requirements.

Following the guidance issued by NHSEI in December 2021, the Committee will have oversight of Emergency Preparedness from 2022/23. This will be included in the Committee workplan for the year to ensure that appropriate assurance is received.

#### Proposal

- Mid-year review of effectiveness to be undertaken in November 2022
- Update the Terms of Reference to include the themes and responsibilities of the NED champion roles – the revised ToR is attached in Appendix B

#### Decision required

- To confirm a level of assurance over the effectiveness of the Audit and Assurance Committee and the improvement objectives identified for 2022/23 (appendix A)

## AAC Committee Review 2021/22

### 1. Fulfilling the Terms of Reference

#### 1.1 Interim Governance Arrangements

In response to the covid pandemic, interim arrangements were put in place to categorise and determine an appropriate governance approach to meetings. These arrangements remained in place during 2021/22. The AAC was categorised as 'critical', meaning that meetings continued as per the meeting schedule but focussed on essential business.

All meetings were held virtually on Microsoft Teams.

The AAC does not have any feeder level 2 committees within the corporate governance structure.

#### 1.2 Terms of Reference and Work Plan

The duties of the ToR were covered through the work plan and agendas during the year. The ToR has been updated for 2022/23 (Appendix B) and the work plan has been updated to reflect any changes.

#### 1.3 Membership

Membership attendance has been satisfactory and each meeting was quorate.

The Committee is comprised of three independent non-executive Directors; quoracy is two non-executive directors. A number of officers including the Finance Director and the Deputy Director of Governance and Risk attend meetings of the Committee.

The ToR states that the Committee shall meet no less than five times a year. A total of five meetings were held during the year with the following attendance;

Member	Role	23.04.21	04.06.21	03.09.21	03.12.21	04.03.22
Darren Hickman	Chair	✓	✓	✓	✓	✓
Geoff Rowbotham	NED	✓	NA	NA	NA	NA
Faisal Hussain	NED	NA	✓	✓	✓	✓
Liz Rowbotham	NED	✓	NA	NA	NA	NA
Moira Ingham	NED	NA	✓	✓	✓	✓
Sharon Murphy/Chris Poyser	Director of Finance	✓	✓	✓	✓	✓
Kate Dyer/Chris Oakes	Director of Governance & Risk	✓	✓	✓	✓	✓

#### 1.4 External Assurance

The committee can receive external assurance from a number of sources including;

- The Group Model with Northamptonshire Healthcare NHS Foundation Trust.
- Externally commissioned reviews, we note that there have not been any reported to the AAC during 2021/22.
- Internal Audit reports. This includes the presentation of pertinent limited (or part limited) assurance reports, see section 1.5 for detail.

- External auditors.
- External review by patient groups and key stakeholder groups such as Healthwatch e.g. “Enter and View” visits. There were no LPT specific reports for AAC oversight during the year.
- The Care Quality Commission and NHSEI

## 1.5 Internal Audit

The following audits from the 2021/22 internal audit work programme aligned to AAC;

- 2122-LPT-02 Head of Internal Audit Opinion Stage 1. Issued November 2021, no assurance opinion provided.
- 2122-LPT-Head of Internal Audit Opinion Stage 2. Issued January 2022, no assurance opinion provided.
- 2122-LPT-Corporate Governance and Strategic Risk Management. Issued March 2022 with a Significant assurance opinion.

## 2. Committee Effectiveness

- 2.1 Overall, the meetings have been considered as well-run. Papers are issued five working days ahead of the meeting and are of good quality. The minutes of the meetings reflect thorough and informed debate for items with a rigour for matters not proceeding as expected and support for positive progress as assured. Deep dive topics continue to have the longest agenda time to facilitate the quality of discussions. After every meeting the Committee provides Highlight Reports for assurance levels received for agenda topics to the Trust Board.

The QAC and FPC Chairs form the AAC membership. This promotes integration between the AAC and the other level 1 Committees.

## 2.2 Committee Priorities 2021/22

In the 2020/21 annual review, the following priorities were determined for QAC during 2021/22;

- Impact of Integrated Care System and Provider collaborative. This has been rolled onto the 2022/23 priority list.
- Induction of new NEDs.
- Establish and embed the process for reporting on third party assurance to the Committee. This has been rolled onto the 2022/23 priority list.
- Selection of External Auditors. Complete, KPMG reappointed
- Ongoing implementation of the revised governance.
- Oversight of clinical audit process. Complete, clinical audit process clarified. Annual Report and Workplan to be presented annually. Clinical Audit Policy was updated and presented to the Committee in March 2022.

These priorities are being met in a number of ways. They fall into the remit of AAC and align to the COVID committee agenda priorities. In addition to scheduled work plan items a deep dive was held in December 2021 on the CQC inspection report follow up process.

## 2.3 Key in-year changes

There have been a number of changes impacting on AAC during 2020/21, these include;

- The Deputy Director of Governance and Risk / Trust Secretary has been nominated as the Trust’s Counter Fraud Champion. This role, which provides support to the Trust’s Counter Fraud Specialist by providing a senior voice to champion work to counter fraud, bribery

and corruption, has been introduced to the NHS in compliance with Government Functional Standard 013: Counter Fraud.

- Revised SFI process and an updated code of conduct
- Revised WeDeclare process
- The introduction of NED champion roles
- A revised risk appetite matrix and application of tolerance levels on the ORR.
- Ongoing maturity of the board architecture to promote the correct flow of information into the committee

#### 2.4 Achievements and successes in 2021/22

Feedback on achievements from Committee members includes the following;

- Follow up rate, plus migration to the Pentana system.
- Completion of internal audit plan.
- Robust & appropriate process to appoint new external auditors.
- Continued focus on assurance, even during response to level 4 incident.
- Agile agenda has enabled us to respond to specific concerns e.g. cyber security.
- Supportive environment created by chair has enabled honest & open debate about issues.

#### 2.5 Challenges and barriers during 2021/22

Feedback on challenges from Committee members includes the following;

- Pandemic constraining agenda.
- Changeover of NED.

### 3. Future Plans

#### 3.1 The future plans and priorities identified for the AAC will ensure that the Committee is focusing on the right agenda during 2022/23

- AAC to pick up Emergency Preparedness in line with expectations set out in the NHSE guidance (dec 2021) for NED Champion roles and themes. These have been included in the revised ToR (appendix B) and will be removed from the FPC ToR and workplan.
- Guidance will be provided to promote consistency in the use of Highlight Reports and assurance ratings.
- Review of control framework of Trust – self regulation, accreditation.
- Adapt scope of Committee to cover ICS, provider collaboratives and group relationship.
- On – boarding of new chair and finance NED.
- Embedding new waiver reporting & management process.
- Maintain usual oversight of accounting policies & annual accounts delivery.
- Maintaining a focus on delivery during handover to new chair.
- Establish and embed the process for reporting on third party assurance to the Committee.

#### 3.2 The Committee will continue its oversight and scrutiny of priorities relating to the Step up to Great Strategy, regulatory standards, deep dives, and areas of strategic risk.

## Audit and Assurance Committee

### Terms of Reference

**References to “the Committee” shall mean the Audit and Assurance Committee**

#### 1.0 Constitution

The Trust Board has established a committee known as the Audit and Assurance Committee (the Committee) reporting to the Trust Board, in accordance with standing order 4.

The Committee shall have terms of reference and powers and be subject to conditions, such as reporting back to the Trust Board, as the Trust Board shall decide and shall act in accordance with any legislation and regulation or direction issued by the regulator.

The Committee shall be a Non-executive Director led Committee of the Trust Board comprised of independent Non-executive Directors and Executive Directors with portfolio lead for the finance and performance agenda. The Committee has no executive powers, other than those specifically delegated in these terms of reference.

#### 2.0 Purpose of Committee

The purpose of the Committee is to review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation’s activities (both clinical and non-clinical) that supports the achievement of the organisation’s strategic objectives and statutory requirements

To recommend to the Trust Board from its Auditor Panel the appointment of external auditors.

#### 3.0 Authority

The Committee is a Non-Executive committee of the Board and has no executive powers, other than those specifically delegated in these terms of reference.

The Committee is authorised by Trust Board to investigate any activity within its terms of reference.

The Committee is authorised by Trust Board to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Trust Board to obtain, at the Trust’s expense, any outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience or expertise, if it considers this to be necessary.

#### 4.0 Membership

The Committee shall be comprised of three Non-executive Directors. A number of officers including the Finance Director and Trust Secretary will attend meetings of the Audit and Assurance Committee.

The membership will include:

- Three independent Non-executive Directors.

In attendance there will be the following officers from the Trust:

- Finance Director will hold executive responsibility for the meeting
- Head of Governance

Other in attendance will include:

- Director 360 Assurance (Internal Audit)
- Client Manager 360 Assurance (Internal Audit)
- Principal Anti-crime specialist 360 Assurance (Counter Fraud)
- Partner KPMG (External Audit)

The Chair of the Committee shall be one of the independent Non-executive Directors selected by the Trust Board. In their absence their place shall normally be taken by another independent Non-executive Director.

Membership of the Committee will be reviewed and agreed annually by the Board. In the situation of a prolonged absence of the Chair or a member of the Committee, the Trust Board will determine a replacement Chair. The Chair of the Trust Board will determine replacement of independent Non-executive Director membership.

The Chief Executive Officer, other executive directors and accountable managers may be invited to attend when the Committee is discussing areas of risk or operation that are the responsibility of that director or manager.

The Chief Executive Officer will be invited to attend, at least annually, to discuss with the Audit Committee the process for assurance that supports the Annual Governance Statement.

Other staff of the Trust will be invited to attend for all or part of the meeting.

## **5.0 Administration**

The Committee shall be supported administratively by Corporate Governance Department administrators.

The agenda will be agreed with the Chair following consultation with the Head of Governance and Director of Finance in consultation with the Chair of the meeting.

The Corporate Governance Department will support the production of the Committee pack and ensure the pack is circulated within the required timeline of five working days prior to the meeting, attend the meetings to take the minutes, keep a record of matters arising and issues to be carried forward and generally provide support to the Chair and members of the Committee. .

## **6.0 Quorum**

The quorum shall be two members of the Committee A duly convened meeting of the Committee which is quorate shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### **7.0 Attendance at meetings**

Only members of the Committee have a right to attend the Committee; however other officers of the Trust may be invited to attend the Committee either for specific discussion items or for the whole meeting as required by the Committee.

Other Non-executive Directors have an open invitation to attend the Committee as felt appropriate after advising the Chair of the Committee of their attendance.

Any independent Non-executive Director or officer of the Trust who is not part of the normal membership of the Committee will be in attendance at the meeting.

### **8.0 Frequency of Meetings**

The Committee shall meet no less than five times a year and at such other times as the Chairman of the Committee shall require at the exigency of the business.

Members will be expected to attend at least three-quarters (75%) of all meetings.

### **9.0 Agenda/Notice of Meetings**

Unless otherwise agreed, notice of each Audit and Assurance Committee meeting will confirm the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

The agenda for each meeting will include an item "Declarations of interest in respect of items on the agenda".

### **10.0 Minutes of Meetings**

Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to the secretary of the Trust Board. The Committee's minutes will be open to scrutiny by the Trust's auditors.

The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action.

### **11.0 Duties**

#### **Governance, Risk Management and Internal Control**

Pay Due Regard to Equality in all of its decisions. All reports include a Due Regard question. In order to ensure that the committee fulfils its statutory obligations it will use the Public Sector Equality Duty checklist attached at Appendix in its decision making processes for agenda items.



To review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical) that supports the achievement of the organisation's objectives.

To review the Risk Management Strategy and receive a quarterly update report on the systems for updating and managing the Board Assurance Framework and Risk Management.

To review the adequacy of all risk and control related disclosure statements (in particular the Annual Governance Statement and declarations of compliance with the Care Quality Commission), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Board.

To review the adequacy of the underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements. To review the adequacy of Trust policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements. To review the adequacy of the policy system as a key internal control mechanism. To review the code of business conduct policy.

To review the adequacy of Trust policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by the Counter Fraud and Security Management Service.

To be responsible for reviewing the adequacy of Standing Orders, Standing Financial Instructions, and any suspension of the constitutional documents. To ensure there is an appropriate Scheme of Delegation and associated financial limits and to ensure that this is subject to regular review.

To review the quarterly report on losses and special payments

Receive information on the system used to manage any CQC recommendations or internal control mechanisms that are set up

To undertake on behalf of Trust Board an independent annual review of the Board Committees. This would be combined with the Committees' Annual Review for greater effectiveness. All Chairs of Board Committees attend either the May or July A&AC meetings to present their annual reviews.

In carrying out the duties listed above the Committee will primarily utilise the work of Internal Audit, External Audit, Counter Fraud Services and other assurance functions, but will not be limited to these audit functions. The Committee will also seek reports and assurances from directors and managers as appropriate, concentrating on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness. This will be evidenced through the Committee's use of an effective Assurance Framework to guide its work and that of the audit and assurance functions that report to it.



To ensure that there are effective emergency and business continuity arrangements in place for the Trust and receive assurance on the Emergency and Business Continuity Annual Report

### **Internal Audit**

The Committee shall ensure that there is an effective internal audit function established by management that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board.

This will be achieved by:

- (a) consideration of the provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal;
- (b) review and approval of the Internal Audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the Assurance Framework;
- (c) consideration of the major findings of internal audit work (and management's response), and ensure co-ordination between the Internal and External Auditors to optimise audit resources;
- (d) ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation;
- (e) annual review of the effectiveness of internal audit.

### **External Audit**

The Committee shall review the work and findings of the External Auditor and consider the implications and management's responses to their work. This will be achieved by:

- (a) consideration of the performance of the External Auditor;
- (b) discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan, and ensure coordination, as appropriate, with other External Auditors in the local health economy;
- (c) discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee;
- (d) review all External Audit reports, including agreement of the annual audit letter before submission to the Board and any work carried outside the annual audit plan, together with the appropriateness of management responses.

### **Other Assurance Functions**

The Committee shall review the findings of other significant assurance functions, both internal and external to the organisation including Counter Fraud Services, and consider the implications to the governance of the organisation.

These will include, but will not be limited to, any reviews by Department of Health Arm's Length Bodies or Regulators/Inspectors (e.g. Care Quality Commission, NHS Resolution, etc.), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.).

In addition, the Committee will review the work of other Board committees within the organisation, whose work can provide relevant assurance to the Committee's own scope of work.

In reviewing the work of the Quality and Assurance committee, and issues around clinical risk management, the Committee will wish to satisfy themselves on the assurance that can be gained from the clinical audit function.

Following guidance from NHSEI in December 2021, the Board has approved an allocation of Non-Executive Director Champion roles and has appointed a Senior Independent Director. The champion role for security management (counter fraud) has been aligned to the Chair of the AAC, with the AAC being the responsible Committee.

In addition, the guidance recommended that a further 11 key themes should be overseen through committee structures. The one which applies to the Audit and Assurance Committee is Emergency Preparedness.

### **Whistleblowing**

The Committee will review the effectiveness of the arrangements in place for allowing staff to raise, in confidence concerns about possible improprieties in financial, clinical and safety matters and ensure that any such concerns are investigated proportionately and independently.

### **Management**

The Committee shall request and review reports and positive assurances from directors and managers on the overall arrangements for governance, risk management and internal control.

They may also request specific reports from individual functions within the organisation (e.g. clinical audit) as they may be appropriate to the overall arrangements.

The Committee will receive third party assurance reports on an annual basis from organisations that provide services to the Trust. These would include, but are not limited to:

Internal Audit

Payroll Management

### **Financial Reporting**

The Committee shall monitor the integrity of the financial statements of the Trust and any formal announcements relating to its financial performance.

The Committee should ensure that the systems for financial reporting to the Trust Board including those of budgetary control are subject to review as to the completeness and accuracy of the information provided.

The Committee shall review the Annual Report and Accounts before submission to the Board, focusing particularly on:

- (a) the wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee;
- (b) changes in, and compliance with, accounting policies and practices;
- (c) unadjusted mis-statements in the financial statements;
- (d) major judgemental areas;
- (e) significant adjustments resulting from the audit.

### **Auditor Panel**

Panel membership comprises two Non-Executive members and the Director of Finance. A nominated Non-Executive is to act as Chair of the Audit Panel.

The Deputy Director of Finance shall normally attend the meetings.

One Non-Executive Director and the Director of Finance need to attend for quoracy.

The Panel is to conduct an appropriate LPT procurement process, as outlined in section 9 of the Trust's Standing Financial Instructions (SFIs) for the appointment of external auditors.

The Panel is to recommend to the Trust Board the appointment of external auditors.

The Panel is to ensure:

- (a) Contract arrangements (i.e. procurement and the selection of external auditors) are appropriate.
- (b) The relationship and communications with the external auditors are professional
- (c) Conflicts of interest are effectively dealt with.
- (d) It is also important that the Auditor Panel is alert to the possibility of conflicts of interest – for example, if non-audit services work is awarded to the external audit provider, how will the Auditor Panel ensure that the auditors' independence is maintained?

If the Trust Board asks the Panel it must advise on any proposal to enter into a liability limitation agreement with audit firms (this would be considered as part of the procurement process).

The Trust Board can determine to remove any member of the Auditor Panel including the Chair. The Chair of the Trust Board would need to re-consider the membership of the Committee in the case of a Non-executive Panel member being removed.

The Panel shall provide update reports to the Committee and to the Trust Board.

### **12.0 Reporting Responsibilities:**

The Committee shall make whatever recommendations to the Trust Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall produce for the Trust Board an annual report on the work it has undertaken during the course of the year.

The Committee will report to the Board annually on its work in support of the Annual Governance Statement, specifically commenting on:

- (a) the fitness for purpose of the Assurance Framework;
- (b) the completeness, and the extent to which risk management is embedded in the organisation;
- (c) the integration of governance arrangements;

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

### **13.0 Annual Review**

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Trust Board for approval.

**14.0 Risk Responsibility**

The risk areas the Committee has special responsibility for will be those that fall within the remit of this Committee.

## Appendix - Public Sector Equality Duty check List

The Committee should assure itself that for relevant agenda items the following checklist questions have been addressed in full (and where appropriate a “Due Regard” assessment has been carried out:

1. (a) Who will be affected by this decision? What information is there about its likely effects on them?
  - (b) Have you consulted with people who might be affected?
  - (c) Could this decision affect some groups of people more than others? In particular, is it likely to have a disproportionately bad effect on some groups?
  - (d) Could the proposal be amended to avoid or reduce this disproportionate effect?
  2. Could the decision be seen as favouring a particular group or denying opportunities to another? Might it cause tensions or resentment between people? How could this be addressed?
  3. Does this decision offer an opportunity to promote equality? Does it offer an opportunity to promote good relations between different groups of people?
  4. Accessible environments
    - (a) Physical access: will the decision affect how and when different groups of people are able to use a room or building? Has the committee taken advice on improving access for disabled people?
    - (b) Access to information (E.g. Large Print, Digital/electronic, BSL, Non-English translations etc): does the decision involve communication or publication of information? Has the committee taken advice on producing accessible formats?
  5. Decisions should be reviewed to see what effects they have actually had. Do you need to make arrangements now so that information will be available for this review?
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Note: **Groups** refers to those protected under the Equality Act 2010 (age, disability, gender reassignment, Race, religion or belief, maternity or pregnancy, marriage or civil partnership, sexual orientation or sex).

## Governance table

<b>For Board and Board Committees:</b>	Trust Board 27 September 2022	
<b>Paper sponsored by:</b>	Chris Oakes, Director of Governance and Risk	
<b>Paper authored by:</b>	Kate Dyer, Deputy Director of Governance and Risk	
<b>Date submitted:</b>	20 September 2022	
<b>State which Board Committee or other forum within the Trust's governance structure, if any, have previously considered the report/this issue and the date of the relevant meeting(s):</b>	Audit and Assurance Committee 10 June 2022	
<b>If considered elsewhere, state the level of assurance gained by the Board Committee or other forum i.e. assured/ partially assured / not assured:</b>	n/a	
<b>State whether this is a 'one off' report or, if not, when an update report will be provided for the purposes of corporate Agenda planning</b>	Annual	
<b>STEP up to GREAT strategic alignment*:</b>	High Standards	
	Transformation	
	Environments	
	Patient Involvement	
	Well Governed	Yes
	Reaching Out	
	Equality, Leadership, Culture	
	Access to Services	
	Trust Wide Quality Improvement	
	List risk number and title of risk	
<b>Organisational Risk Register considerations:</b>	Yes	
<b>Is the decision required consistent with LPT's risk appetite:</b>	None	
<b>False and misleading information (FOMI) considerations:</b>	None	
<b>Positive confirmation that the content does not risk the safety of patients or the public</b>	Confirmed	
<b>Equality considerations:</b>	None	