**Report to the Meeting of the**

**Oxford Health NHS Foundation Trust**

**RR-App BOD 40/2022**

(Agenda item: 24(a))

**Audit Committee**

**18 May 2022**

**Audit Committee annual report 2021/22**

**For Discussion or Approval**

**Executive Summary**

The Audit Committee annual report summarises the performance and work programme of the Audit Committee during the period 01 April 2021 to 31 March 2022. This version of the Committee’s annual report can start the conversation around any necessary changes to the report or the appended Terms of Reference; in the meantime, this report can still provide relevant assurance for the development of the Annual Governance Statement, part of the Trust’s Annual Report. The appendices to this report provide: (i) the Audit Committee’s Terms of Reference; and (ii) an overview plan and look ahead to 2022/23 [*Appendix 1 to be publicly available as part of Board packs*].

**Governance Route/Approval Process**

Further to the Audit Committee’s review, comments and approval, the Audit Committee annual report and Terms of Reference will be presented to the Board of Directors for receipt.

**Strategic Objectives/Priorities**– this report relates to or provides assurance and evidence against the following Strategic Objectives/Priorities of the Trust:

3) Sustainability – Make best use of our resources and protect the environment

**Recommendation**

The Committee is requested to provide comments for the further development of the report and Terms of Reference or to approve the report and Terms of Reference.

**Author and Title: Hannah Smith, Assistant Trust Secretary**

**Lead Executive Director: Kerry Rogers, Director of Corporate Affairs & Company Secretary**

1. *A* ***risk assessment has been undertaken around the legal issues*** *that this report presents and there are no issues that need to be referred to the Trust Solicitors.*
2. *This report satisfies or provides assurance and evidence against the requirements of the following* ***Terms of Reference of the Audit Committee****:*

* *to review the establishment and maintenance of an effective system of integrated governance, risk management and internal control (clinical and non-clinical activities) that supports the achievement of the Trust’s objectives;*
* *to ensure that there is an effective Internal Audit function;*
* *to review the work and findings of the External Auditor and consider the implications and management’s response to their work;*
* *to review the findings of other significant assurance functions, both internal and external to the Trust, and consider the implications to the governance of the Trust;*
* *to work with other committees within the Trust whose work can provide relevant assurance to the Committee’s own scope of work, particularly the Quality Committee (formerly the Integrated Governance Committee) and the Charitable Funds Committee and to receive the minutes and an annual report on the operation of the Quality Committee;*
* *in reviewing the work of other committees relating to clinical risk management, to satisfy itself on the assurance that can be gained from the clinical audit function;*
* *to monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust’s financial performance and to review the Annual Report and Financial Statement before submission to the Board; or*
* *to ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.*

**Audit Committee Annual Report 2021/22**

**For the period 01April 2021 to 31March 2022**

The Audit Committee’s key responsibility is to review the establishment and maintenance of an effective system of integrated governance, risk management and internal control. In doing so the Committee shall ensure that there is an effective control assurance process (including an effective Internal Audit function), review the work and findings of External Audit and review the findings of other significant assurance functions. The Committee’s Terms of Reference were last updated in April 2020 and are attached as Appendix 1 to this annual report for review and comment.

1. **Membership of the Committee, Attendance and Frequency of Meetings**

The members of the Committee are all Non-Executive Directors. Lucy Weston was Chair for the reporting period. The Terms of Reference (**ToR**) state that meetings will occur no less than 4 times per year. The Committee had 6 formal meetings, 2 private workshops and a private session with the out-going Quality Committee Chair in the reporting period.

Attendance of members during the reporting period:

|  |  |
| --- | --- |
| **Committee members** | **Attendance** |
| Lucy Weston (Chair) | 6/6 meetings  2/2 workshops  1/1 session with QC chair |
| Chris Hurst (Non-Executive Director & Chair of the Finance & Investment Committee) | 6/6 meetings  2/2 workshops  1/1 session with QC chair |
| Mohinder Sawhney (Non-Executive Director & Chair of the People, Leadership & Culture Committee having taken over since its meeting on 03 February 2022) | 6/6 meetings  2/2 workshops  1/1 session with QC chair |

The quorum for the Committee is no less than 3 members (including deputies if required) which was achieved in all meetings and private workshops. The Terms of Reference also state that the Audit Committee should meet privately with the External and Internal Auditors at least once a year. The Minutes of the meetings indicate that such private meetings, also involving representatives of the Counter Fraud/Anti-Crime service, had taken place before each of the 6 Audit Committee meetings in the reporting period.

Attendance of Trust regular attendees during the reporting period:

|  |  |
| --- | --- |
| **Regular attendees** | **Attendance** |
| Nick Broughton (Chief Executive) | 4/6 |
| Peter Milliken (Deputy Director of Finance) | 3/6 |
| Mike McEnaney (Director of Finance) | 5/6 |
| Kerry Rogers (Director of Corporate Affairs & Company Secretary) | 5/6 |
| Hannah Smith (Assistant Trust Secretary) | 4/6 |
| Michael Williams (Financial Controller) | 4/6 |

The Internal Audit provider and External Audit provider attended all 6 meetings during the period, and the Counter Fraud/Anti-Crime service provider attended 5 meetings.

During the reporting period the following officers of the Trust and other interested parties were invited to attend for all or part of meetings:

|  |  |
| --- | --- |
| **Oxford Health NHS FT attendees** | **Attendance** |
| Tehmeena Ajmal (Interim Executive Managing Director for Mental Health & Learning Disabilities) | 1/6 |
| Sigrid Barnes (Head of HR Systems & Reporting) | 1/6 |
| Stuart Buckland (Senior Fire Safety Advisor) | 1/6 |
| Marie Crofts (Chief Nurse) | 1/6 |
| Charmaine De Souza (Chief People Officer) | 2/6 |
| Nicola Gill (formerly Larkam) (Executive Project Officer) | 3/6 |
| Mark Hancock (Medical Director) | 1/6 |
| Will Harper (Head of IT) | 2/6 |
| Emma Lofthouse (Quality and Audit Specialist) | 1/6 |
| Karl Marlowe (Chief Medical Officer) | 2/6 |
| Neil McLaughlin (Trust Solicitor & Risk Manager) | 3/6 |
| Ben Riley (Executive Managing Director for Primary and Community Care Services) | 1/6 |
| Atif Saeed (Capital and Financial Accountant) | 2/6 |
| Mark Underwood (Head of Information Governance) | 2/6 |
| Robyn Venables (Education & Quality Assurance Lead) | 1/6 |
| Martyn Ward (Director of Strategy & Chief Information Officer) | 5/6 |
| Hannah Wright (Risk Manager) | 4/6 |

During the reporting period, the following also attended to observe meetings:

|  |  |
| --- | --- |
| **Governor observers** | **Attendance** |
| Charlotte Forder (Governor – Staff (Corporate Services)) | 1/6 |
| Benjamin Glass (Governor – Patients/Service Users (Buckinghamshire & other counties)) | 1/6 |
| Davina Logan (Governor – Age UK Oxfordshire) | 1/6 |
| Chris Roberts (Governor – Patients/Service Users & Carers (Deputy Lead Governor)) | 1/6 |
| **Other observers** | **Attendance** |
| Geraldine Cumberbatch (Non-Executive Director (designate)) | 1/6 |
| Philip Rutnam (Non-Executive Director) | 1/6 |

A member of the office of the Director of Corporate Affairs & Company Secretary attended all meetings during the reporting period to take a true and accurate record of the proceedings of the Committee. The Assistant Trust Secretary attended 4 meetings and the Executive Project Officer attended 3 meetings.

Joint Non-Executive Director membership of the Audit Committee and the Quality Committee was not achieved during this reporting period but the members of the Audit Committee remained fully sighted on the business of the Quality Committee through presentation of its minutes to the Board and assessment at its meeting on 15 September 2021 of a sample of the Quality Committee’s deep dives into risks from the Board Assurance Framework and Trust Risk Register. In addition, the Audit Committee held a private session with the out-going Quality Committee Chair on 09 September 2021 which considered questions in relation to controls, compliance, risk and culture and in particular discussed:

* the Quality Committee Chair’s level of confidence that the Trust had a framework of controls in place around the quality domain that was sufficiently robust and comprehensive;
* the Quality Committee Chair’s view on whether these controls appeared to operate effectively and whether there was general compliance with them;
* the extent to which the Quality Committee was kept informed (by exception or otherwise) of issues relating to compliance, control failure or risk;
* whether the culture of the organisation allowed discussion of issues in an open, honest and supportive way; and
* any unfinished business which the outgoing Quality Committee Chair would be handing over to his successor.

1. **Business transacted by the Committee**

Set out below is the remit of the Committee together with a summary of the business transacted over the reporting period 01 April 2021 to 31 March 2022 (text in *italics* is taken from the ToR).

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

*Review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the Trust’s activities (both clinical and non-clinical), that supports the achievement of the Trust’s objectives.*

The ToR state that the Committee should review the adequacy of all risk and control related disclosure statements, in particular the Annual Governance Statement (formerly the Statement on Internal Control), and review any Head of Internal Audit statement, External Audit opinion or other appropriate independent assurances, prior to endorsement by the Board.

As part of the review of the annual financial statements the Committee considered the Annual Governance Statement 2020/21 (in April, May and June 2021) together with the Head of Internal Audit Opinion (in June 2021). Through regularly considering the Board Assurance Framework (**BAF**) and the Trust Risk Register (**TRR**), the Committee gains ongoing assurance of compliance against Care Quality Commission (**CQC**) registration requirements as well as action being taken to mitigate risks. As part of the annual Internal Audit plan, the Committee is assured of the effectiveness of the BAF processes and the process for establishing compliance against CQC outcomes. See section 2.4 below for the Committee’s work to review the findings of other significant assurance functions.

In fulfilment of the remit to review the underlying assurance processes that indicate the level of achievement of the organisation’s objectives and the effectiveness of the management of principal risks, the Committee received BAF update reports at 3 of its meetings and one of its private workshops in February 2022. The Committee also considered risk management processes (including the Risk Management Policy and comments and amendments thereon), and its role within these, and also the potential for setting a risk appetite statement, at 3 of its meetings and both private workshops in February 2022.

The Committee also received Internal Audit reports, as part of the Internal Audit Plans 2020/21 and 2021/22, on key systems of internal control including:

* Employee Data Records (IT) review report (‘high’ risk rating);
* COVID-19 governance and review report (advisory – no risk rating);
* Information Governance review report/Data Security & Protection Toolkit report (2 findings but no risk rating);
* Health & Safety review report (‘high’ risk rating);
* Directorate (Forensic services) review report (‘medium’ risk rating);
* Payroll review report (‘high’ risk rating); and
* Patient Safety Incidents review report (‘medium’ risk rating).

The Committee also:

* undertook a detailed review into themes and recommendations from previous Internal Audit directorate reviews, focusing upon: (i) Safer Staffing; and (ii) Statutory & Mandatory Training. The People, Leadership & Culture Committee has since been tasked with ongoing monitoring of compliance issues identified around Statutory & Mandatory Training; and
* received and considered learning from a specially commissioned report into the Psychiatric Intensive Care Unit (**PICU**) project.

The Counter Fraud/Anti-Crime service also attended 5/6 meetings and provided written reports providing the Committee with regular updates on ongoing investigations, outcomes of investigations and awareness raising activities. The Counter Fraud annual report 2020/21, including Government Functional Standards submission, was received in May 2021.

The Committee also received its regular reporting on Whistleblowing arrangements (December 2021), the Charity Committee’s annual report (December 2021) and Cyber Security update reports in April 2021 and February 2022.

***2.2 Internal Audit***

*Ensure that there is an effective Internal Audit function established by management that meets mandatory Public Sector Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board of Directors.*

The Committee had reviewed the Internal Audit Plan for 2021/22, and commented upon its development, at its meetings in April, May and September 2021. The Committee was assured that the Internal Audit Plan had been developed in line with the BAF and risk registers, previous audit coverage of fundamental systems and accumulated Internal Audit knowledge and experience. At its regular meetings, the Committee received updates on progress against plan, updates on the performance of Trust management in meeting any overdue recommendations and monitored implementation by management of Internal Audit recommendations (from ‘low’ to ‘high’).

The Committee received the Head of Internal Audit Opinion for 2020/21 and the Internal Audit annual report for 2020/21 in June 2021. The overall Head of Internal Audit Opinion for 2020/21 was generally satisfactory with some improvements required based on the specific work undertaken in each of the reviews and the findings of these. There was one individually ‘high’ risk rated finding on the Employee Data Records (IT) report; all the other individual findings were either ‘medium’ or ‘low’ risk rated.

The Committee also engaged early in the development of the Internal Audit Plan 2022/23 at its private workshops on 01 and 08 February 2022, including following consideration of BAF risks and their impact upon the Internal Audit Plan 2022/23.

***2.3 External Audit***

*Review the work and findings of the External Auditor appointed by the Trust’s Council of Governors and consider the implications and management’s responses to their work.*

The Committee received a planning report from the External Auditors in April 2021 which set out the focus for the External Audit for 2020/21, together with an ‘Informing the Audit Risk Assessment’ which was the Committee’s opportunity to sense-check the responses provided by management to External Audit and ensure that these aligned with the Committee’s understanding of the organisation. At its regular meetings the Committee also received progress updates against the External Audit.

The Committee received the following reports from the External Auditors which they considered in formal session:

* External Audit report on the financial statement audit (including draft letters of representation);
* Audit Findings Report; and
* Value For Money report (‘Auditor’s Annual Report’) on financial sustainability, governance and improving economy, efficiency and effectiveness.

From September 2021, the Committee also reviewed the contracts for External Audit, Internal Audit and Counter Fraud (prior to commencement of formal procurement which would be required for all towards the end of 2022).

***2.4 Other Assurance Functions and Management (including Clinical Audit)***

*Review the findings of other significant assurance functions, both internal and external to the Trust, and consider the implications to the governance of the Trust; the Committee members will wish to satisfy themselves on the assurance that can be gained from the Clinical Audit function. Review the work of other committees whose work can provide relevant assurance to the Committee’s own scope of work; this may be by way of the committee minutes provided to the Board as part of the pack of Board papers.*

The members of the Committee had access to the minutes of the main Board Committees via the packs of Board papers, being: the Charity Committee; the Finance & Investment Committee; the Mental Health Act Committee; the People, Leadership & Culture Committee and the Quality Committee. The Executive Management Committee only started providing minutes for inclusion in Board packs from January 2022, none available prior to that in 2021 or 2020.

The members of the Committee were also able to gain assurance from other means outside of their direct Committee membership as full members of the Board. The current Chairs of the Finance & Investment Committee and of the People, Leadership & Culture Committee are members of the Committee and since the meeting on 23 February 2022 have provided oral updates to the meetings on progress and assurance in relation to themes previously identified in audits and being monitored by their committees (especially in relation to mandatory training, the Information Commissioner’s audit and the PICU project). In addition, the presentation of the regular Finance and Integrated Performance reports to the Board (including out-of-session updates on Finance in the months between Board meetings) provided Committee members with assurance.

The Committee also considered the findings of the:

* specially commissioned report from Internal Audit into the PICU project (external assurance for the Trust);
* Information Commissioners’ Office audit report (external to the Trust);
* Fire Safety assurance report (internal to the Trust);
* the BAF and the TRR (internal to the Trust);
* Finance function (internal to the Trust) in relation to:
  + regular reporting on: (i) Losses & Special Payments; and (ii) Single Action Tender Waivers; and
  + exceptional reporting on breaching the Better Payment Practice Code (**BPPC**) and assurance on refining processes to resolve issues and return to compliance. The main reason for the reported slippage had been the exclusion of certain invoices from the target range figures; processes were therefore updated so as to capture all of the relevant data/invoices. In September 2021, the Committee was reassured by the action plan provided in the exception reporting to resolve aged creditors and achieve BPPC compliance; and
* IT function (internal to the Trust) in relation to Cyber Security.

During the reporting period the Committee also received and reviewed reports on Whistleblowing arrangements and the Charity Committee’s annual report in support of relevant assurance to the Committee’s own scope of work.

The Committee continued to try to develop the assurance it was receiving on the work of the Clinical Audit function. During the reporting period it received the:

* Clinical Audit annual report 2020/21, in April 2021;
* an introduction to Chief Medical Officer and discussion of reporting requirements for Audit Committee and Quality Committee, in May 2021; and
* reporting on effectiveness of Clinical Audit processes, in December 2021.

After the reporting period, in April 2022, it received an update on the development of Clinical Audit governance but the Clinical Audit annual report 2021/22 was delayed from April and May 2022. In April 2022, the Chief Medical Officer reported that the Head of Quality Improvement (**QI**) was also taking on responsibility as the new lead for Clinical Audit, which would help to combine QI with Clinical Audit and Clinical Effectiveness. The Chair of the Audit Committee has commented that additional information and assurance that the Clinical Audit function was operating effectively is still required. Clinical Audit will, therefore, be an area of focus during 2022/23.

***2.5 Financial Reporting***

*Monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust’s financial performance. Review the Annual Report and Financial Statements before submission to the Board of Directors. Ensure that the systems for financial reporting to the Board of Directors, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board.*

The Committee reviewed the 2020/21 Annual Report text and Financial Statements (with analytical review) in April, May and June 2021, prior to formal presentation to the Board in June 2021. An extended time-frame into June 2021 had nationally been permitted due to the impact of COVID-19 but this was challenging for the Audit Committee as some aspects of the External Audit process had not completed in the timely manner of previous reporting periods; nonetheless a rigorous review process was conducted by the Committee over its 3 meetings in April, May and June and ultimately able to be reported to the Board meeting on 09 June 2021. As part of this review the Committee also considered the Annual Governance Statement (formerly the Statement on Internal Control), Statement of the Chief Executive’s responsibilities as the Accounting Officer, the Head of Internal Audit Opinion and the Going Concern Statement (which involved a detailed analysis to support the conclusion that a going concern basis of accounting was appropriate).

***2.6 Reporting and self-assessment***

The Audit Committee meetings were formally recorded by a member of the office of the Director of Corporate Affairs & Company Secretary and minutes were circulated and presented to the Board.

The Audit Committee Chair confirmed the Committee’s work in support of the Annual Governance Statement 2020/21 (as referred to above in sections 2.1 on Governance, Risk Management, and Internal Control, and 2.5 on Financial Reporting) to the Board meeting on 09 June 2021 but also highlighted that the delay to the External Audit process had been unacceptable that year. Subsequently however, no material changes were identified which would have required further consideration by the Audit Committee or the Board prior to eventual submission of the Annual Report & Accounts later in June 2021.

In April-May 2022, the Audit Committee has undertaken an external assessment of its effectiveness, facilitated by Internal Audit and with the results reported into the Audit Committee meeting on 18 May 2022.

1. **Conclusion and look forward**

The Audit Committee executed its core responsibilities under its ToR despite pressures and delays as a result of the continuing national impact of COVID-19. Appropriate consideration and scrutiny was given to: governance, risk management and internal control; the work of internal and external assurance functions, including Internal Audit, External Audit and Counter Fraud/Anti-Crime; and the 2020/21 Annual Report & Accounts and supporting documents.

Looking ahead, areas that the Audit Committee may particularly focus upon during the next reporting period: Clinical Audit additional information and assurance that the Clinical Audit function is operating effectively; risk management; and assurance on themes or actions delegated to other Board Committees. An overview plan for 2022/23 is provided for the Committee’s confidential information at Appendix 2. [*Appendix 2 not publicly available*]