

### CHAIR'S KEY ISSUES

#### ISSUES FOR REFERRING / ESCALATING TO BOARD / COMMITTEE / TASK & FINISH GROUP

<b>ORIGINATING BOARD / COMMITTEE / TASK &amp; FINISH GROUP:</b>	Audit and Risk Committee, 25 May 2023
<b>CHAIR:</b>	Mark Millar, Non-Executive Director
<b>LEAD EXECUTIVE DIRECTOR:</b>	Adrian Marr, Director of Finance

Agenda Item	Details of issue	Approval Escalation Alert Assurance Information
Procedural Document Register Update	The standing item update on progress and a slight reduction in compliance from 95% to 93% was considered. A range of actions will be taken to improve, and the Policy Review Group will consider the policy for development of policies, identify opportunities for amalgamation, reconsider those that are a legal requirement, divisional engagement and review dates. A new policy officer is due to join the Trust shortly. The Committee recognised the significant work undertaken and plans as set out, whilst reduction in compliance was disappointing. Clarity of expectations and corporate support to divisional teams to make it as easy as possible to deliver was the approach to be taken. A continuing focus is required. The capacity of senior management was questioned.	Assurance
Committee work programme 2023/24	The Committee received a revised programme for this year. Approval was sought to discontinue the annual report from the Committee to Board, recognising that full updates are provided following each meeting, the work of the Committee was included within the Trust's Annual Report, and this represented little additional value. This was confirmed, with six monthly review. The reconsideration of committee Terms of Reference was confirmed as annual rather than three yearly.	Assurance
Internal Audit updates	Two reports had been issued in draft, one review was in progress and the date and scope agreed for the final review to be reported in the 2023/24 audit. Committee members referred to discussion at the Performance and Finance Committee and the assurance required on waiting list management. The draft report was expected within three weeks. Five reports had been finalised and were received:	Alert

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	<ul style="list-style-type: none"> <li>• Divisional governance – reasonable assurance</li> <li>• Workforce planning and medical staffing recruitment - reasonable assurance</li> <li>• Grievances and Freedom to Speak Up processes – reasonable assurance. The report was received and the People and Organisational Development Committee was asked to receive and comment on the report and this has been added to its work programme. The action regarding Board reporting had been confirmed, with six monthly attendance of the Guardian scheduled.</li> <li>• Key financial controls – substantial assurance.</li> <li>• Cyber risk assessment – partial assurance, with some controls requiring enhancement. The Director of Digital and Logistics attended and spoke to the Data Security and Protection Toolkit (DPST), the outcome of this review and the current overlap with several audit areas. The work with an accredited security consultant was described, the Board digital seminar to be held in June, the new Digital, Data and Technology Strategy and Cyber Security Strategy to be presented to the Board in July, refresh of the ICT business continuity policy and the forward schedule of work being prepared to test the Trust’s resilience. This also links with the work underway to review the strategic risk on the Board Assurance Framework (BAF). The gap in assurance and Board Committee oversight of operational controls and the work to mitigate risks was discussed. The Committee thanked the Director for the comprehensive update and confirmed that assurance and mitigation of risks would be managed through a quarterly report and data on cyber controls to this Committee, pending the review of BAF risks. A Board seminar would also be arranged in the next year. Members questioned current staffing and updates on this would be included in the future quarterly updates.</li> </ul> <p>The internal audit management action status report was received, and the importance of updates being provided on outstanding recommendations was reiterated. Some additional information was provided.</p> <p>The draft Internal Audit annual report for 2022/23 was received. Based on the findings of the work already completed the current Head of internal audit opinion was unlikely to change, that the Trust had an adequate and effective framework for risk, management, governance and internal control, with further enhancements required to ensure it remains so. This would be completed once the final opinion is issued with RSM confident in delivery and confirming close working with the External Auditors.</p> <p>The 2023/24 audit plan was received. This had been considered by the Executive Leadership Team and Executive Management Committee with some amendments proposed to ensure all were appropriate to the internal audit skill set. Further discussion would take place on the risk management/BAF audit bearing in mind the current redesign and ensuring best value once changes were embedded, and inclusion of consultant job</p>	

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	planning. It was confirmed that the role of the Committee was to oversee the plan and only if it would be useful to seek Committee views would this be re-presented.	
Counter Fraud Progress Report and annual return	A positive annual report was received confirming 11 referrals in year, delivery of awareness sessions and benchmarking information, current and emerging risks. An overall rating of green was confirmed for the Counter Fraud Functional Standard Return, which included the increase in compliance for declarations of interests. This had reduced from a red to amber rating. Details of recent fraud cases were presented. The progress made in increasing declarations was recognised, with further work to do.	Assurance
External Audit update 2022/23	<p>An updated plan for the 2022/23 audit was received and an update on resourcing issues as this may affect the submission schedule for the annual report. BDO advised that if this could not be resolved in the next two weeks it would not be possible to meet the end of June national deadline, with reflection on the national shortage of auditors. Further mitigation was being considered and a contingency plan would be implemented with revised dates to achieve by mid-July. The Committee thanked BDO for the full explanation whilst disappointment was expressed. Members wished to understand the impact in terms of the Trust's statutory responsibilities for submission and discussions with the audit community and the government on the solution going forward. It was positive that the Value For Money (VFM) work had been accelerated, essential to enable the report to be laid before Parliament, ideally prior to the 20 July recess. This is not a position that the organisation wished to be in, and the Committee was advised that laying before Parliament generally took several days. The detail of national discussions was considered with a strategic solution required.</p> <p>The audit for 2022/23 was currently on track with the focus on significant risk areas. The materiality threshold had been revised following receipt of the draft financial statements and one new significant risk was included on expenditure accruals. Daily meetings with the finance team continue and it was confirmed by both BDO and the Finance team that this is working well. Members questioned the review of risk in deferring and pulling forward costs on work that has not been done. An update on VFM was requested. The 21 June Committee would remain for approval or an update; the Board meeting scheduled for 27 June would continue to enable approval of the Quality Account and publication by 30 June. Additional meetings would be arranged, Committee on the morning of 14 July and Board for 18 or 19 July.</p>	Alert
Draft Annual Report and Annual Governance Statement (AGS) and Draft Financial Statements 2022/23	<p>Version 2 of the draft report was presented. Version 1 and 2 had been shared with the external auditors, one week later than planned. Further work was taking place with the Trust Secretary to provide the final document to the auditors by 2 June to enable their full review. Comments were being taken account of from the Executive Leadership Team. The draft AGS was prepared by the Interim Director of Governance. Further additions were proposed and accepted. Additional comments were welcomed from Committee members.</p> <p>The draft financial statements were submitted on time and indicated achievement of the break-even plan. Committee members questioned if there were any external issues that would impact, such as pensions</p>	Assurance

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	assurance. Accruals and clinical negligence figures, any differences in the notes on the accounts from the previous year and apprenticeship income were also raised.	
Standards of Business Conduct Person Policy	The proposal regarding ESNEFT decision making staff and the final policy were approved for implementation.	Assurance
Declarations of Interest: publication	The registers for the Board of Directors, Council of Governors, decision makers and other Trust staff were presented. Publication of the decision makers' registers was approved for inclusion on the Trust website and within the annual report 2022/23. In recognition of the progress being made and increasing maturity, the Committee approved publication of only those declarations that had been made for this year only. Further improvement and full publication is expected for 2023/24.	Assurance
Reports by consent	Special payments, tender waiver reports and the ESNEFT framework for decision making were received. One payment and a tender waiver figure were questioned. The decision-making structure forms part of the assurance framework and was regarded as incomplete, with further work required.	Assurance