

UNIVERSITY HOSPITALS DORSET NHS FOUNDATION TRUST

AUDIT COMMITTEE ANNUAL REPORT 2022/23

1 PURPOSE OF THE REPORT

- 1.1 The Audit Committee (the “Committee”) is presenting this report to the Board of Directors following a review of the Committee’s adherence to its terms of reference. The report sets out how the Committee satisfied its terms of reference between 1 April 2022 and 31 March 2023 (the “review period”), particularly to provide the Board with evidence relevant to its responsibilities for the Annual Governance Statement. The Committee’s terms of reference were reviewed and updated in January 2023¹.
- 1.2 The existence of an independent audit committee is a central means by which the Board of Directors ensures that there are effective internal control arrangements in place. The Committee independently reviews 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.
- 1.3 The Committee receives and considers reports from both internal and external auditors, counter fraud specialists and scrutinises the Trust’s annual report and financial statements.
- 1.4 The Committee has a governance cycle detailing which papers are expected to be presented at each meeting of the Audit Committee. This is reviewed annually and/or updated as necessary during the year.

2 MEETINGS

- 2.1 Five formal meetings were held during the year, all of which were quorate:

- Thursday 19 May 2022
- Thursday 21 July 2022
- Thursday 20 October 2022
- Thursday 12 January 2023
- Thursday 9 March 2023

In addition to the Joint Audit and Finance & Performance Committee meeting held on Thursday 16 June 2022.

- 2.2 Meeting attendance is detailed in **Appendix 1**.
- 2.3 It is usual for the External and Internal Auditors and the Counter Fraud Specialist to attend all formal meetings of the Committee. During the period, a representative from

¹ This self-assessment has been prepared against the Committee’s terms of reference in effect from 25 January 2023 (notwithstanding that during part of the period under consideration, the previous terms of reference applied).

external audit, internal audit and the counter fraud specialists was present at each meeting.

- 2.4 The Trust Chair is not a member of the Committee but may attend meetings at the invitation of the Audit Committee Chair. During the review period and with the approval of the Board of Directors in view of the limited duration pending the new Trust Chair joining, Philip Green held the position of Acting Chair of the Trust as well as Chair of the Committee from 1 April 2022 to 31 June 2022 (and therefore attended its meeting held on 19 May 2022).
- 2.5 Until January 2023 when the Committee's terms of reference were updated to provide for the possibility of two Governors to attend each meeting as observers, it was usual practice for there to be one Governor observer. Since January 2023, two Governors have had the opportunity to attend meetings of the Committee.

3 MEMBERSHIP

- 3.1 Membership of the Committee comprises of four independent Non-Executive Directors (other than the Trust Chair), one of whom will be a qualified accountant and one of whom will also be a member of the Quality Committee.

Membership of the Committee in 2022/23 comprised of:

- Philip Green, Non-Executive Director and Chair²
- Stephen Mount, Non-Executive Director and Chair³
- Pankaj Davé, Non-Executive Director (*until 31 December 2022*)
- John Lelliott, Non-Executive Director
- Cliff Shearman, Non-Executive Director (*from 1 January 2023*)

Stephen Mount, John Lelliott and Pankaj Davé are qualified accountants. Cliff Shearman, Philip Green and Stephen Mount⁴ were members of the Quality Committee during the period.

4 COMPLIANCE WITH TERMS OF REFERENCE

- 4.1 A review of the Committee's compliance with its own terms of reference was undertaken (by the Company Secretary Team, for review and consideration, by and to support the Committee) in April 2023 by scrutinising the agendas and minutes of the five Committee meetings which took place between 1 April 2022 and 31 March 2023. This evidences how the Committee has discharged each of its responsibilities:
- 4.2 **Governance, risk management and internal control**

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 (clinical and non-clinical) that supports the

² Philip Green chair until 31 December 2022 and remained a member until after the 12 January 2023 meeting.

³ Stephen Mount chair from 1 January 2023 and was a member prior.

⁴ Philip Green member of the Quality Committee until 31 December 2022. Stephen Mount a member from 1 January 2023.

achievement of the organisations' objectives.⁵ In particular, the Committee will review the adequacy and effectiveness of:

- 4.2.1 **All risk and control related disclosure statements (in particular the annual governance statement, annual report, quality accounts, annual financial statements, annual draft licence compliance, annual draft code of governance compliance, assurance process for licence condition compliance, assurance process for corporate governance statement together with any accompanying internal audit statement, external audit opinion or other appropriate independent assurances), prior to submission to the Board.**

The Committee (or joint Audit and Finance & Performance Committee) reviewed these items prior to submission to the Board:

- Annual governance statement – March 2022;
- Annual report – June 2022;
- Quality account – June 2022
- Annual financial statements, including external audit opinion – June 2022;
- Annual draft licence compliance, including assurance – March 2022;
- Annual draft code of governance compliance – March 2022;
- Assurance for corporate governance statement – May 2022.

- 4.2.2 **The underlying assurance processes that indicate the degree of the achievement of the organisation's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements.**

The Committee reviewed the risk register (12+) at each meeting, in addition to the Board Assurance Framework (BAF) on a quarterly basis.

Progress reports were received from internal audit in relation to audits undertaken aligned to BAF objectives and provided an assessment of design effectiveness, areas of strength and improvement including recommendations.

For 2023/2024, following discussion by the Board during Board Development Sessions, the BAF document will be enhanced, including to provide clearer presentation of the underlying assurance processes, management of risks (including gaps in controls). These changes will enable the Committee to discharge the above responsibility even more effectively.

- 4.2.3 **The policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications.**

The Trust's Document Control Policy, which outlines the process involved and the procedures to be followed for the creation, approval, publication and review of new or revised Trust-wide clinical and non-clinical policies is due to be reviewed in 2023.

In March 2023, the Committee reviewed the Trust's compliance with the Code of Governance (*also reviewed in May 2022*) and Provider Licence.

- 4.2.4 **The wording in the annual governance statement and other disclosures relevant to the Terms of Reference of the Committee.**

⁵ The Quality Committee has primary responsibility for the oversight of clinical risk management.

The Committee reviewed and recommended approval of the draft annual governance statement in May 2022.

It also recommended approval of the annual certificates (G6 and CoS7) in May 2022.

- 4.2.5 **The clinical audit system plan to ensure that it is robust, reflecting both national and local priorities, comprehensive and embedded across all clinical teams with the outcomes used to drive improvement and enhance the overall quality of clinical care⁶.**

The clinical audit plan for 2022/23 was presented to the Committee in May 2022.

4.3 **Counter Fraud**

- 4.3.1 **To review the adequacy and effectiveness of policies and procedures for all work related to counter-fraud, anti-bribery and corruption to ensure that these meet the NHS Counter Fraud Authority's standards and the outcomes of work in these areas, including reports and updates on the investigation of cases from the local counter fraud service;**

The Committee received the counter fraud progress report at each meeting, including updates on investigations.

It also reviewed and recommended approval to the Board of the anti-fraud, bribery and corruption policy and managing conflicts of interest policy in January 2023.

- 4.3.2 **To ensure that the counter fraud function has appropriate standing within the organisation.**

The annual review of the effectiveness of the Local Counter Fraud Specialist was presented to and endorsed by the Committee in October 2022.

While not one of the specific criteria within the assessment, no concern was raised relating to the standing of the service within the organisation.

- 4.3.3 **To review the counter fraud programme, consider major findings of investigations (and management's response), and ensure co-ordination between the internal auditors and counter fraud.**

The Committee reviewed and approved the counter fraud programme in May 2022 (2022-23) and March 2023 (2023-24).

The Local Counter Fraud Specialist's reports to the Committee contained findings from investigations.

From April 2023, the Trust's Counter Fraud provider changed from RSM to TIAA.

4.4 **Internal Audit**

To ensure that there is an effective internal audit function that meets the Public Sector Internal Audit Standards and provides independent assurance to the Committee, Chief Executive and Board. This will be achieved by:

⁶ In conjunction with the Quality Committee

4.4.1 Considering the provision of the internal audit service, the cost of the audit and any questions of resignation and dismissal.

The Committee received progress reports from internal audit at each meeting.

The annual review of the effectiveness of the internal audit service was presented to and endorsed by the Committee in October 2022.

The Committee approved the award of the internal audit contract to BDO in January 2023.

4.4.2 Reviewing and approving the annual internal audit plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the Trust as identified in the assurance framework.

The Committee approved the annual internal audit plan for 2023-24 in March 2023.

4.4.3 Considering the major findings of internal audit work (and the appropriateness and implementation of management responses) and ensuring coordination between the internal and external auditors to optimise audit resources;

The Committee reviewed the major findings and management action plans as part of the internal audit progress report presented to each meeting.

Representatives of both internal and external auditors received each other's progress reports and plans as part of the Committee's meeting materials (consequently supporting coordination).

4.4.4 Ensuring the internal audit function is adequately resourced and has appropriate standing within the Trust.

The annual review of the effectiveness of the internal audit service was presented to and endorsed by the Committee in October 2022.

4.4.5 Monitoring the effectiveness of internal audit and carrying out an annual review.

As above.

4.5 External Audit

To review and monitor the external auditors' integrity, independence and objectivity and the effectiveness of the external audit process, more particularly, reviewing the work and findings of the external auditors and considering the implications and management's response to their work. This will be achieved by:

4.5.1 Considering the appointment and performance of the external auditors, including providing information and recommendations to the Council of Governors in connection with the appointment, reappointment and removal of the external auditors in line with criteria agreed by the Council of Governors and the Committee.

In January 2023, the Committee recommended approval of the award of the external audit contract to the Council of Governors. In October 2022, the Committee reviewed the effectiveness of the external auditors.

4.5.2 Discussing and agreeing with the external auditors, before the external audit commences, the nature and scope of the audit as set out in the annual external audit plan.

The Committee reviewed the External Audit annual plan in January 2023.

4.5.3 Discussing with the external auditors their evaluation of audit risks and assessment of the Trust and associated impact on the audit fee.

The Committee received an external progress report at each meeting and technical update.

4.5.4 Reviewing all external audit reports, including reports to the Board and the Council of Governors, and any work undertaken outside the annual external audit plan together with any significant findings and the appropriateness and implementation of management responses.

The Committee reviewed external audit reports at each meeting.

4.5.5 Ensuring that there is in place a clear policy for the engagement of external auditors to supply non-audit services taking into account relevant ethical guidance.

A policy is in place on the use of external auditors for non-audit work in place which is due for review by the Committee in October 2024.

4.6 Financial Reporting

4.6.1 To monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance.

This was monitored through regular external audit reports.
Previously, in March 2022, the Committee received an internal audit report on key financial systems. This audit was to be repeated in 2023/24.

4.6.2 To ensure that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided to the Board.

As above.

4.6.3 To review the annual report, annual governance statement and annual financial statements before these are presented to the Board to determine their completeness, objectivity, integrity and accuracy and the letter of representation addressed to the external auditors from the Board.

The Committee reviewed the draft annual governance statement in May 2022. The annual report and accounts, alongside the external audit report on the financial statements was reviewed by the Joint Audit and Finance & Performance Committee in June 2022.

- 4.7 **To review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in matters of financial reporting and control, fraud, bribery and corruption, clinical quality, patient safety or other matters.**

During 2022-23, regular reporting on Freedom to Speak Up was presented to the People & Culture Committee.

- 4.8 **To receive assurance that the Trust is complying with EPRR legal and policy requirements, including sufficient experience and qualified resource having been allocated prior to this being presented to the Board.**

The Committee reviewed the Emergency Preparedness, Resilience and Response annual report in July 2022, prior to it being presented to the Board.

- 4.9 The Committee approved its governance cycle in March 2023.

5 CONCLUSION

- 5.1 The Committee considers that it has discharged its responsibilities as noted above.

Stephen Mount
Chair, Audit Committee
May 2023

Appendix 1 – Attendance at Audit Committee 2022/23

Audit Committee		19 May 2022	21 July 2022	20 October 2022	12 January 2023	09 March 2023
Present	Philip Green					
	Stephen Mount					A
	John Lelliott					
	Pankaj Dave	A				
	Cliff Shearman					
In Attendance	Rob Andrews					
	Melanie Alflatt					
	Leslie Baliga					
	Jonathan Brown					
	Lucy Burgum					
	Jamie Donald					
	Yasmin Dossabhoy					
	David Foley					
	Ewan Gauvin					
	Peter Gill					
	Heather Greenhowe					
	Siobhan Harrington					
	Fiona Hoskins					
	Russell King					
	Sarah Locke					
	Duncan Laird					
	Mark Mould					
	Alyson O'Donnell					
	Pete Papworth					
	Paula Shobbrook					
	Jo Sims					
	Adam Spires					
	Mark Stabb					
	Matt Thomas					
	Kani Trehorn					
	David Triplow					
	Rob Whiteman					
	Paige Willoughby					
	Ruth Williamson					
	Matt Wilson					
Was the meeting quorate?		Y	Y	Y	Y	Y

Key

	Not in Attendance		In attendance
A	Apologies		N/A
D	Delegate Sent		