



Audit and Risk Committee

Presentation to the Council of
Governors

22 June 2023

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NHS Trust

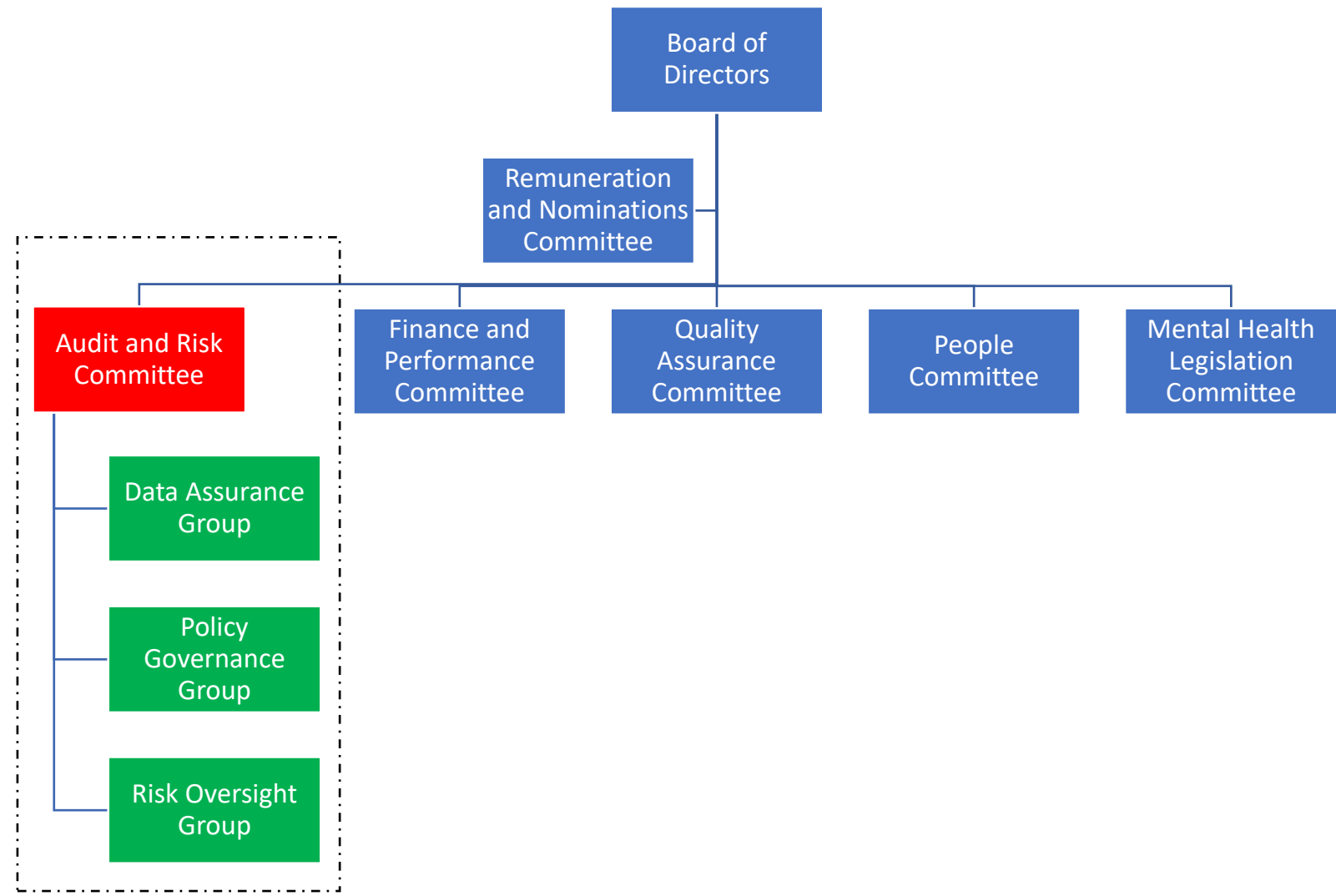




Outline of the presentation

- Reporting structure
- Membership
- Role of the Committee
- Key areas covered in 2022/23

Audit and Risk Committee



► Membership

Members: 3 Non-Executive Directors

Attendees:

- Internal and External Auditors
- Counter Fraud lead
- Director of Finance
- Director of Corporate Governance (Trust Board Secretary)
- Deputy Director of Finance
- Executive Directors and senior managers as appropriate
- Governor Observer
- Chair should not normally attend



▶ Role of the Committee

- ARC and Nominations and Remuneration are the only Statutory Committees
- ARC provides independent oversight of the organisation's systems of Governance, Information Governance, Risk Management and Control, Standing orders, standing financial instructions, Financial Statements/Annual Report/Emergency Planning Resilience and Response (EPRR) and security management
- To oversee effective relationships and processes of board committees
 - Receives annual reports from the committees in advance of their receipt and approval at Board of Directors

▶ Areas prescribed by national NHSE guidance covered by ARC

- Freedom to Speak up - has now moved to the People Committee and Quality Assurance Committee. The lead NED role has moved to Heather Smith. This will require a change to all three terms of reference.
- Safety and Risk, committee role - jointly with Quality and Safety Committee
- Cyber Security, committee role - (SIRO Lead - Executive Director of Finance)
- Emergency Preparedness, assigned committee role (Board accountable role – Chief Executive)
- Counter Fraud, assigned committee role (Executive lead role Executive Director of Finance)

▶ Significant issues discussed 2022/23

- Annual Accounts
- Annual Report
- Annual Governance Statement
- Head of Internal Audit Opinion
- External Audit Opinion and annual reporting
- Counter-Fraud, Bribery and Corruption Annual Report
- Self-Certification of compliance with licence conditions
- Losses and Special Payments Annual Report
- Annual Reports for other committees
- Receipt of Register of Interests, Gifts and Hospitality
- Annual committee self-assessment
- Regular reporting from 360 Assurance (internal audit), including the annual Audit Plan and KPMG (external audit).
- Regular reporting and monitoring of the Board Assurance Framework and Corporate Risk Register
- Freedom to Speak Up quarterly reporting
- Reporting on Information Governance and security breaches
- Emergency planning and preparedness, including EPRR compliance
- Policy governance – including the both the ratification of policy approvals within the committee’s area of responsibility and the approval of the Policy Framework
- Risk Governance - oversee the work of, and receive assurance from, the Risk Oversight Group
- Tracking of completion of Internal Audit actions

Financial statements and the annual report

- Monitor integrity of financial statements
 - Review significant financial reporting judgements
 - Review statutory Annual Accounts before presentation to, and approval by the Board in order to provide assurance on their completeness, objectivity, integrity and accuracy
- Review and recommend the Annual Report and Annual Governance statement and the Annual Accounts to the Board of Directors for approval (for submission on 30 June 2023)

▶ Corporate Governance

- **Compliance with terms of the Licence**
 - Final version June
- **Annual Governance statement**
 - Final version June meeting. Covers systems of internal control and assurance around:
 - Capacity to handle risk
 - Staff Training
 - Learning from good practice
 - Risk Control framework
- **Consider outcome of any significant reviews** – regulators/inspectors and professional bodies
- **Compliance with the Constitution** – This is covered through our statements of compliance and the Annual Report.
 - Changes to the Constitution to be received in July ARC and Board of Directors post Council of Governors for approval at the Annual members meeting in September 2023.

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External and Internal Audit

External Audit (KPMG)

- Close working with External Audit to ensure strengthened oversight processes resulting in demonstrable improvement in the Annual Report and Accounts processes for the 2022/23 submission

Internal Audit (360 Assurance)

- Internal audit reports this year have been a mixed picture

Limited assurance	Moderate and Significant assurance	Split Significant/limited assurance
<ul style="list-style-type: none">• Grievances & disciplinaries• Health and Safety reporting• Embedding robust safeguarding practice with clinical services• Recruitment• Estates (HTMs)	<ul style="list-style-type: none">• Data security standards (NHS Digital rating) – Moderate• Complaints – Significant• Infection Prevention and Control	<ul style="list-style-type: none">• Strategic risk management• Cost Improvement

▶ How we work together

Internal Audit

- Much improved tracking of Internal Audit actions at all board committees
- Improved Board Assurance Framework (strategic risk) management and introduction of a Risk Oversight Group providing additional rigour have supported us ending the year with an improved overall Head of Internal Audit Opinion – expected to be significant assurance



Strategic risk management

- **Board Assurance Framework (BAF)** - Principal risks to achieving strategic objectives
 - Controls, assurances and actions to address gaps
 - Board committees oversight and challenge
 - Board of Directors and Audit and Risk Committee receive and challenge the full BAF – refreshing for 2023/24 post Board session at the end of June
 - System BAF under development
 - The Governor session in June will support us in identifying risks and action needed
 - May result in change to our own BAF
- **Corporate Risk Register** - Significant risks to the organisation
 - overseen by Risk Oversight Group
 - Board committee oversight and challenge
 - Board of Directors and Audit and Risk Committee receive and challenge the full CRR

Information Governance and Data Security

- Range of policies in place providing framework for supporting this work
- Following our July 2022 Data Security and Protection Toolkit (DSPT) submission, a plan was agreed with NHS Digital to ensure an overall outcome of achieved standards by 30th June 2023
 - Continuing to implement further improvements to enhance our performance against DSPT requirements.
 - An Information Security Group meets monthly focussed on the requirements of the toolkit to support the organisation to be 'audit ready' in all areas.
- Information governance training is included as part of the core training for new starters and all staff are required to undertake annual information governance training. Other specific training sessions have been provided to staff.
- Information governance and data security incidents and risks are recorded and reported through the Trust's risk management processes.
- **During 2022/23** one incident was reported to the Information Commissioners Office (ICO). The incident was reviewed and the ICO decided that no further action was necessary. Four incidents were reported in the previous year.



▶ EPPR

Oversight of our **Emergency Planning Resilience and Response (EPPR)**

- Review and monitor compliance with core standards, Civil Contingencies Act 2004 and provide positive assurance to the Board on Compliance
- The Committee received the Annual Report in **April**



▶ Assurance & Improvement

- Improvement in triangulation of data across the Board committees
 - Escalation takes place between committees and Board members are placed on a range of committees to support cross fertilisation in discussion and around challenge.
- ‘Alert, Advise, Assure’ reports go to Board - after each committee meeting on the significant matters for consideration, these may include issues of specific interest, but will also include control issues or areas where there are gaps in assurance.
- There has been an improvement in our recovery plans and continuous improvement around monitoring with a more systematic approach to challenge
- Wide range of areas where demonstrable improvement has been made building on work put in place since the 2018 CQC inspection



Progress against ARC Objectives for 2022/23



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1. Work closely with External Audit to ensure strengthened oversight processes resulting in demonstrable improvement in the Annual Report and Accounts processes for the 2022/23 submission – on track
2. Put in place and embed a board ‘line of sight’ tool for providing clarity on monitoring arrangements for all major action plans
 - Making good progress. Reports received outlining where key actions plans are overseen for strategic programmes
 - Template for reports from the groups reporting into board committees includes identifying any action plans and third party reports received
3. Achieve ‘significant assurance’ in the Head of Internal Audit Opinion – on track
4. Consider improvements around governance arrangements including undertaking a review against the revised Code of Governance and associated actions required
 - Reports on the new Code and associated documents have been taken through the Board and the Council of Governors. A gap analysis is underway against the new Code and will go through ARC and Board in July



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ARC Objectives for 2023/24

1. Maintain Significant Head of Internal Audit Opinion (if draft position is confirmed) and Improve Internal Audit plan outturn to significant.
2. Improve Risk Management Audit from a split opinion to significant
3. Undertake tender process for external audit working with the Council of Governors
4. Ensure planning is in place for development of the Annual Report and Accounts for 2023/24 working with external auditors

Board Assurance Framework (BAF)

Risks overseen by People Committee (PC)



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BAF 0013	There is a risk that we fail to identify key cultural and work pressures impacting on staff health and wellbeing and delivery of services, leading to ineffective interventions; caused by failure to engage with staff in a meaningful way around concerns raised in the staff and pulse surveys as well as through engagement with, and demonstration of the values; and failure to implement demonstrable changes resulting in low scores on the staff survey (low morale), high sickness absence levels and negative indicators for quality of care.
BAF 0014	There is a risk of failure to undertake effective workforce planning to support recruiting, attracting and retaining staff to meet current and future needs caused by ineffective workforce planning, insufficiently attractive flexible working offer, competition, limited availability through international recruitment, reluctance of staff to remain in the NHS post Covid19, any national ICS requirements resulting in a negative impact on delivery of our strategic and operational objectives and provision of high-quality safe care.
BAF 0020	There is a risk of failure to enable a paradigm shift in our culture through delivery of the overarching cultural change programme, caused by a lack of engagement in the wide range of leadership activity and opportunities for development provided, inability to adapt and engage to enable organisational change, resulting in failure to improve the culture of the organisation, ineffective leadership development, application of learning, engagement with our values, emergence of closed subcultures and low staff morale which in turn impacts negatively on service quality and service user feedback.



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Board Assurance Framework

Risks overseen by Finance and Performance Committee (FPC)



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BAF 0021A	There is a risk of failure to ensure digital systems are in place to meet current and future business needs by failing to effectively address inadequate legacy systems and technology caused by complex historic system issues requiring on-going maintenance, inadequate system monitoring, testing and maintenance, delays in procurement and roll out of new systems resulting in negative impact on patient safety and clinical effectiveness due to loss of access to key systems and processes.
BAF 0021B	There is a risk that adequate arrangements are not in place to sufficiently mitigate increased cyber security and data protection incidents. This has been compounded by low Information Governance mandatory training levels across the Trust, unawareness of Phishing attacks as well as legacy core systems that may not meet current security standards and so remain vulnerable to cyber-attack. An attack may compromise or disable key systems and prevent their operation until we either have confirmation that is safe to do so following the application of software security patches or alternatively the system in its entirety is no longer deemed fit for purpose and removed from active service
BAF 0022	There is a risk that we fail to deliver the break-even position agreed for 2022/23 caused by factors including non-delivery of the financial plan or CIP targets and increased cost pressures resulting in a threat to both our financial sustainability and delivery of our statutory financial duties
BAF 0026	There is a risk of slippage or failure in projects comprising our transformation plans caused by factors including non-delivery of targets by milestones, unanticipated costs arising or lack of sufficient capacity to deliver within the timeframes agreed or availability of capital funds resulting in service quality and safety being compromised by the non-delivery of key strategic projects.
BAF 0027	There is a risk of failure to engage effectively with system partners as new system arrangements are developed caused by non-participation in partnership forums, capacity issues (focus on Trust), difficulty in meeting increased requirement to provide evidence/data potentially at pace and volume, lack of clarity around governance and decision making arrangements resulting in poorer quality of services, missed opportunities to participate or lead on elements of system change and potential increase in costs.

Board Assurance Framework

Risks overseen by Quality Assurance Committee (QAC)



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BAF 0023	There is a risk that service users and staff are exposed to an avoidable spread of infectious diseases caused by a failure to consistently maintain appropriate Infection Prevention Control arrangements and safe working practices.
BAF 0024	There is a risk of failure to anticipate issues with, and achieve, maintain and evidence compliance with fundamental standards of care, caused by capacity and capability issues cultural challenges, high use of agency and vacancy in some teams, use of out of area placements, lead in time for major estate changes, resulting in avoidable harm or negative impact on service user outcomes and experience, staff wellbeing, reputation, future sustainability of particular services which could result in regulatory action
BAF 0025A	There is a risk to patient safety caused by the delays to deliver of failure to effectively deliver essential environmental improvements for the including the reduction of ligature anchor points / improvements in therapeutic space in inpatient settings at the required pace
BAF 0025B	There is a risk of failure to deliver the therapeutics environment programme at the required pace caused by difficulty in accessing capital funds required, the revenue requirements of the programme, supply chain issues (people and materials), and capacity of skills staff to deliver works to timeframe required resulting in more restrictive care and a poor staff and service user experience and unacceptable service user safety risks.
BAF 0029	There is a risk of a delay in people accessing the right community care at the right time caused by issues with models of care, contractual issues and the impact of practice changes during Covid resulting in poor experience of care and potential harm to service users.

Questions

