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Agenda Item: Bo.5.18.19

Report from Audit and Assurance Committee – 3 April 2018

Presented by:	Barrie Senior, Non-Executive Director & Audit Committee Chairman	Author:	Barrie Senior, Non-Executive Director & Audit Committee Chairman
Previously considered by:	N/A		

Key points	Purpose:
This paper provides a summary of the key matters that were discussed at the meeting of the Audit and Assurance Committee held on 3 April 2018.	To note and gain assurance

Executive Summary
<p>In its 3 April 2018 meeting the Committee:</p> <ul style="list-style-type: none"> • Considered and discussed the latest Benchmarking and Sector Developments Report provided by Deloitte, External Auditors • Received, considered and approved the Counter Fraud Work Plan 2018/19 • Received, considered and approved the Internal Audit Three Year Strategic Plan and 2018/19 Operational Plan • Received, considered and derived assurance from the latest Internal Audit Progress Report • Considered the rationale for, and approved, the deferral of three Internal Audit reviews into 2018/19 • Derived assurance from five Internal Audit reviews rated as High or Significant Assurance • Expressed concern regarding the Internal Audit Limited Assurance findings relating to Clinical Audit (Divisional) and Business Continuity • Received a satisfactory update regarding the preparation of the 2017/18 Annual Accounts and the 2017/18 Annual Report and Quality Report • Received and was reassured by an update regarding Cyber Security

Financial implications:
No

Regulatory relevance:

Monitor:	Quality Governance Framework
	Risk Assessment Framework

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Equality Impact / Implications:	<div style="border: 1px solid black; padding: 5px;"> <p>Is there likely to be any impact on any of the protected characteristics? (Age, Disability, Gender, Gender Reassignment, Pregnancy and Maternity, Race, Religion or Belief, Sexual Orientation, Health Inequalities, Human Rights)</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If yes, what is the mitigation against this?</p> </div>
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Other:	CQC compliance
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Strategic Objective: <i>Reference to Strategic Objective(s) this paper relates to</i>	To provide outstanding care for patients
	To deliver our financial plan and key performance targets
	To collaborate effectively with local and regional partners

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Audit and Assurance Committee – 3 April 2018

1. Introduction

The purpose of this paper is to advise the Board of Directors of the key matters discussed at the Audit and Assurance Committee meeting held on 3 April 2018.

2. Key Matters discussed

- Limited Assurance internal audit report regarding Clinical Audit (Divisional) revealing, inter alia, lack of Standard Operating Procedures (SOPs), unapproved SOPs, lack of guidance notes, differing audit and reporting templates, no high priority audit plans, and lack of audit progress tracking. The Committee received reassurance that remedial actions were being pursued as quickly as possible.
- Limited Assurance internal audit report regarding Business Continuity revealing, inter alia, business continuity documents in draft, business continuity plans not in place for some wards/divisions, a lack of business continuity training, a lack of business continuity testing, and an EPR business continuity plan still in draft. The Committee received reassurance that remedial actions were being pursued as quickly as possible.
- High Assurance internal audit reports regarding:
 - Engaged Workforce – Staff Engagement relating to the 2016 Staff Survey
 - Research – Assessment of Internal Governance Arrangements relating to the Bradford Institute for Health Research
- Significant Assurance internal audit reports regarding:
 - Payroll
 - Staff referrals to regulatory bodies
 - Information Governance Toolkit
- Consideration and approval of the new three year Internal Audit Strategic Plan and 2018/19 Operational Plan
- Consideration and approval of the 2018/19 Counter Fraud Work Plan
- An update regarding the Trust's Cyber Security arrangements

3. Agenda Items

3.1 External Audit

Deloitte provided their latest Benchmarking and Sector Developments report, providing insight into key NHS trends, both for the NHS as a whole and in respect of Deloitte's client base. The contents of the report were discussed by the Committee. (Report to be made available to other NEDs)

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3.2 Counter Fraud Work Plan

The Committee considered and approved the 2018/19 Work Plan.

3.3 Draft Internal Audit Plan 2018/19

Further to a pre-meeting held on 26 March, the Committee considered and discussed the draft three year strategic internal audit plan and the draft 2018/19 operational plan derived from it.

The Committee was satisfied as to the completeness and proposed phasing of internal audit reviews across the three years, whilst recognising that changes to the plan would be required to respond to evolving issues. Any such changes will be pre-approved by the Committee.

In the light of proposed changes to the assurance ratings to be utilised by Internal Audit in future internal audit reports, the EMT was requested to reconsider what escalations are now required depending upon individual assurance ratings, including referral to the Integrated Governance and Risk Committee.

The Committee approved the three year strategic and 2018/19 operational plans.

3.4 Internal Audit Progress Report

Internal Audit presented their progress report.

Deferred Audits: The Committee considered and accepted the rationale for the deferral of three further audit reviews from the 17/18 Internal Audit Plan to later dates, in respect of: Asset Utilisation, Activity Data Capture: Referral to Treatment, and Dangerous Goods Review.

Internal Audit Key Performance Indicators: The Committee noted satisfactory performance relating to:

- Percentage of draft Internal Audit reports issued within 15 days of completion of audit fieldwork (92% - target > 90%).
- Percentage of final reports issued within target time (within 1 week of receiving management responses) (97% - target > 90%).
- Percentage of recommendations accepted in final reports (100% - target 100%).

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However, the Committee noted and expressed some concern that the percentage of management responses received within 15 days of the issue of the draft report had fallen to 82% (target 100%). The Committee asked that executives be encouraged to improve response turnrounds.

Audit Report Summaries: The Committee considered and discussed each of the seven audit reports that had been agreed with management since the last Audit and Assurance Committee meeting. .

Audit	Opinion
BH/31/18 – Payroll	Significant Assurance
BH/32/18 – Engaged Workforce; Staff Engagement	High Assurance
BH/33/18 – Clinical Audit (Divisional)	Limited Assurance
BH/34/18 – Business Continuity	Limited Assurance
BH/35/18 – Staff Referrals to Regulatory Bodies	Significant Assurance
BH/36/18 – IGT	Significant Assurance
BH/37/18 – Research – Assessment of Internal Governance Arrangements	High Assurance

BH/31/18 Payroll – Significant assurance

Eleven recommendations were noted, 6 rated as “Moderate’, 5 as ‘Minor’.

The Committee noted the assurance provided by this audit, subject to satisfactory response to the audit recommendations.

BH/32/18 – Engaged Workforce: Staff Engagement – High Assurance

The audit was designed to provide assurance regarding the analysis, reporting and reaction to the results of the 2016 Staff Survey.

The Committee noted the assurance provided by this audit, with no audit recommendations having been raised.

BH/33/18 – Clinical Audit (Divisional) – Limited Assurance

The Committee expressed concern regarding the Limited Assurance opinion and the adverse audit findings, including: lack of Standard Operating Procedures (SOPs), unapproved SOPs, lack of guidance notes, differing audit and reporting templates, no

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high priority audit plans, and lack of audit progress tracking. The audit report sets out 4 Major, 7 Moderate and 5 Minor recommendations.

The Committee was reassured that actions to address the shortcomings and respond to the recommendations would be pursued as quickly as possible.

The Committee agreed that this audit result should be brought to the attention of the Board of Directors.

BH/34/18 – Business Continuity - Limited Assurance

The Committee expressed concern regarding the Limited Assurance opinion and the adverse audit findings, including: business continuity documents in draft, business continuity plans not in place for some wards/divisions, a lack of business continuity training, a lack of business continuity testing, and an EPR business continuity plan still in draft. The audit report sets out one Major and 6 Moderate audit recommendations.

The Committee was reassured that actions to address the shortcomings and respond to the recommendations would be pursued as quickly as possible.

The Committee agreed that this audit result should be brought to the attention of the Board of Directors.

BH/35/18 – Referral to Regulatory Bodies – Significant assurance

The objective of this review was to provide assurance that the Trust has appropriate and robust governance in place in relation to staff referrals to regulatory bodies.

The Committee noted the assurance provided by this review, subject to response to the four moderate priority recommendations.

BH/36/18 – Information Governance – Significant assurance

The objective of this review was to provide assurance that the Trust's Information Governance Toolkit (IGT) return was fair and reasonable, and that there is sufficient evidence that required Information Governance practices are adhered to by the Trust.

The Committee noted the significant assurance provided.

BH/37/18 – Research – Assessment of Internal Governance Arrangements – High Assurance

The objective of this audit was to provide assurance that the Bradford Institute for Health Research (BIHR) has effective systems and processes to support good governance and that these are working effectively.

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The Committee noted the assurance provided by the report, with only three minor priority recommendations.

3.5 Annual Report and Quality Report 2017/18: Draft for comment

The Committee noted progress with regard to the preparation of the draft Annual Report and Quality Report 2017/18 including consideration by the Quality Committee and an upcoming opportunity for individual NEDs to raise comments. The Committee was reassured that progress was being made according to timetable.

3.6 Cyber Security Report

The Director of Infomatics provided an update and reassurance regarding the Trust's Cyber Security protection.

3.7 Exception Reports

The Committee noted that no SFIs had been waived since the last meeting, that the level of losses and special payments in 17/18 was significantly reduced on prior year, and noted recent tender activity.

3.8 Foundation Trust Annual Accounts 2017/18 Update

The Committee noted that work was proceeding to timetable with the preparation of the Annual Accounts and the audit thereof.

3.9 Audit and Assurance Committee Annual Self-Assessment

Following the very recent release of a new edition of the HFMA NHS Audit Committee Handbook including updated guidance on Audit Committee Self-Assessment, the Committee is now to undertake its assessment culminating in a meeting on 23 May. The results of the assessment will be presented to Board at its 12 July meeting.

3.10 Review of Audit and Assurance Committee Terms of Reference and Annual Workplan

The Committee undertook to continue with the existing terms of reference and workplan for the time being and then to consider any changes prompted by the upcoming self-assessment exercise and ongoing discussions with the Director of Governance and Corporate Affairs.

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3.11 Matters to escalate to Corporate Risk Register

None.

3.12 Matters to escalate to the Board of Directors

The Limited Assurance internal audit reports regarding Clinical Audit (Divisional) and Business Continuity, discussed above.

4 Recommendation

The Board of Directors is asked to note this report and the reassurance and assurance that it provides.