

Board of Directors: 09.05.19  
Agenda Item: Bo.5.19.28

## REPORT FROM THE AUDIT & ASSURANCE COMMITTEE MEETING 16 APRIL 2019

<b>Presented by</b>	Barrie Senior – Non-Executive Director and Audit Committee Chairman	
<b>Author</b>	Barrie Senior – Non-Executive Director and Audit Committee Chairman	
<b>Lead Director</b>	Matthew Horner, Director of Finance	
<b>Purpose of the paper</b>	To provide an update regarding key matters covered in the Audit & Assurance Committee meeting on 16 April 2019	
<b>Key control</b>	Identify if the paper is a key control for the Board Assurance Framework	
<b>Action required</b>	To note	
<b>Previously discussed at/informed by</b>		
<b>Previously approved at:</b>	<b>Committee/Group</b>	<b>Date</b>
<b>Recommendation</b>		
The Board is asked to note and derive assurance from this report.		

Risk assessment						
Strategic Objective	Appetite (G)					
	Avoid	Minimal	Cautious	Open	Seek	Mature
To provide outstanding care for patients		g				
To deliver our financial plan and key performance targets			g			
To be in the top 20% of NHS employers			g			
To be a continually learning organisation				g		
To collaborate effectively with local and regional partners					g	
The level of risk against each objective should be indicated. Where more than one option is available the level of risk of each option against each element should be indicated by numbering each option and showing numbers in the boxes.	Low		Moderate	High	Significant	
<b>Explanation of variance from Board of Directors Agreed General risk appetite (G)</b>	Risk (*)					

Risk Implications (see section 4 for details)	Yes	No
Corporate Risk register and/or Board Assurance Framework Amendments	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Quality implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resource implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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Legal/regulatory implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Diversity and Inclusion implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>

<b>Regulation, Legislation and Compliance relevance</b>
<b>NHS Improvement: (please select those that are relevant)</b> <div style="display: flex; justify-content: space-between;"> <span><input type="checkbox"/> Risk Assessment Framework</span> <span><input type="checkbox"/> Quality Governance Framework</span> </div> <div style="display: flex; justify-content: space-between;"> <span><input type="checkbox"/> Code of Governance</span> <span><input type="checkbox"/> Annual Reporting Manual</span> </div>
<b>Care Quality Commission Domain:</b>
<b>Care Quality Commission Fundamental Standard:</b>
<b>Other (please state):</b>

Relevance to other Board of Director's Committee: (please select all that apply)					
Workforce	Quality	Finance & Performance	Partnerships	Major Projects	Other (please state)
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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<b>1</b>	<b>PURPOSE/ AIM</b>
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To provide an update regarding key matters covered in and relating to the Audit & Assurance Committee meeting on 16 April 2019

<b>2</b>	<b>BACKGROUND/CONTEXT</b>
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The agenda of the meeting held on 16 April 2019 was driven by the 2018/19 Audit and Assurance Committee Annual Workplan.

The key matters considered, discussed and from which, where appropriate, assurance was gained were:

- External Audit Update
- Internal Audit Progress Report
- Review and approval of the 2019/20 Internal Audit Annual Plan
- Counter Fraud Progress Report
- Counter Fraud Risk Assessment
- Counter Fraud Workplan 2019/20
- Short Stay Ward – Internal Audit Follow-Up Review
- Trust Risk Management Strategy
- Costing Assurance Programme (CAP) report 2017/18
- Supplier Assurance Framework
- Data Quality
- Cyber Security
- Quality Management System
- Risk Management Strategy 2019/25
- Corporate Governance: Assurance Framework and Map
- Regulatory Compliance
- Board Sub-Committee Exception Reports
- Board Assurance Framework and Strategic Risk Register
- Draft Annual Report and Quality Report 2018/19

<b>3</b>	<b>RECOMMENDATIONS</b>
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The Board is asked to note and derive assurance from this report.

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<b>4</b>	<b>Appendix</b>
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Report included overleaf

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## Audit and Assurance Committee meeting – 16 April 2019

### 1. Introduction

The purpose of this paper is to inform the Board of Directors of the key matters discussed during and relating to the Audit and Assurance Committee meeting held on 16 April 2019.

### 2. Key Matters discussed

The key matters discussed during the course of the meeting were as follows:

#### 2.1 External Audit Update

External Audit provided an update regarding progress with the statutory audit of the Trust's Annual Report and Financial Statements 2018/19 and with the external review of the Trust Quality Report 2018/19. Interim audit work had been completed but the year end audit work was yet to commence.

As previously flagged in their audit planning documentation, External Audit highlighted that the key audit issues this year were in respect of accounting for the Wholly Owned Subsidiary and accounting for property on a Modern Equivalent Asset Value (MEAV) basis. External Audit acknowledged that dialogue continues between Trust Management, the Audit Committee and themselves on these matters.

#### 2.2 Internal Audit Progress Report

Internal Audit reported that nine reports had been completed since the February Committee meeting, one where an opinion was not applicable and the remaining eight all receiving a 'Significant Assurance' opinion.

##### **BH/32/2019 - Board Assurance Framework**

The objective of this review was to seek assurance that the Trust's Board Assurance Framework (BAF) is fit for purpose, of a suitable format and structure and is regularly reviewed and updated. The review also assessed how the BAF is used.

The review provided positive confirmation in respect of the review objective and resulted in only four 'minor' recommendations all of which will be actioned by 30 June 2019.

##### **BH/33/2019 – Budgetary Control; Reference Costing – Significant Assurance**

The objective of this review was to seek assurance that the Trust has reasonable arrangements in place for its reference costing processes.

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The review confirmed that the Trust has reasonable arrangements in place for the production and submission of reference costs. However Internal Audit did point out that, as the review covered 2017/18 reference cost development and submission, whilst the production and submission processes were reliable there were the known problems with core data quality arising from the implementation of Electronic Patient Records. The review resulted in one 'moderate' recommendation.

#### **BH/34/2019 – Financial Transactions – Significant Assurance**

The purpose of this review, which is performed each year, was to provide assurance regarding the Trust's processes for financial transactions.

The review confirmed that the Trust has generally satisfactory controls in place, with 'high' assurance derived in respect of 10 out of the 12 control objectives considered during the audit.

The review generated three recommendations, two 'moderate' and one 'minor' all scheduled for action by 31 May.

#### **BH/35/2019 – Data Security and Protection Toolkit – Significant Assurance**

The objective of this review was to provide an opinion upon the framework established by the Trust to develop, deliver, maintain and monitor its data security and protection arrangements as required for the Data Security and Protection Toolkit.

The review confirmed that the Trust has effective arrangements in operation and that the Trust has documented evidence to support submission of its self-assessment to NHS Digital. The review resulted in one 'moderate' and three 'minor' recommendations.

#### **BH/36/2019 – EPR Programme Assurance – Significant Assurance**

The objective of this review was to seek assurance that the Trust has an adequate system of controls over its Electronic Patient Record (EPR) system. The review was requested by the Chief Digital Information Officer following a request by the EPR Programme Board and following the post-go live revision of the EPR Joint Governance Structure (shared with Calderdale & Huddersfield NHS Foundation Trust).

The review generated eight recommendations, three 'moderate' and five 'minor', the majority of which have already been implemented. A reappraisal of EPR risk management is in progress.

#### **BH/37/2019 – Payroll – Significant Assurance**

The objective of the review was to seek assurance that there are adequate controls in operation to ensure that payroll information is properly administered by the Trust. Note that payroll processing is handled on behalf of the Trust by Bradford Payroll

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Consortium and assurance regarding this outsourced processing service is obtained annually (due May).

The review generated seven 'moderate' recommendations. The Committee expressed some concern that an apparently routine and stable area of activity gave rise to the need for so much change/improvement.

#### **BH/38/2019 – Data Quality; Electronic Patient Records – Significant Assurance**

The objective of the review was to seek assurance that effective systems and processes are in place to monitor and control EPR-relevant data quality.

The review identified that the Trust has generally robust systems in place for recording, validation and reporting of EPR-related data quality and that the implementation of EPR go-live had been satisfactorily controlled and monitored.

The review generated five recommendations, two 'moderate' and three 'minor', all with 30 September deadlines.

#### **BH/39/2019 – Management of Patient Flow; Delayed Transfer of Care – Significant Assurance**

The objective of the review was to seek assurance that the Trust has adequate arrangements in place to ensure comprehensive and accurate capture and validation of Delayed Transfer of Care (DTC) data. The review confirmed that such assurance was available.

The review generated one 'moderate' and one 'minor' recommendation both with an agreed 30 April 2019 deadline.

#### **BH/40/2019 – Ward Accreditation – Significant Assurance**

The purpose of the review was to seek assurance that appropriate mechanisms are in place for undertaking robust ward assessments and governance reporting.

The overall conclusion was one of Significant Assurance regarding the systems and controls in place for the operation and governance of the Bradford Accreditation Scheme. Six recommendations were made, one 'moderate' and five 'minor', all to be implemented by 30 September.

The Director of Governance and Corporate Affairs reported that increased focus on ward accreditation was planned with the aim of each ward achieving a 'green' rating.

With regard to the execution of the 2018/19 Internal Audit Plan, the Committee reviewed and accepted proposals to amend one planned audit review and to defer two further reviews into 2019/20.

The Committee recognised the continuing 100% performance in terms of on-time audit report finalisation and agreement of audit recommendations.

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### 2.3 Review and approval of the 2019/20 Internal Audit Annual Plan

The Committee considered the draft plan, recognising the scrutiny undertaken and agreement reached by executive management and the Executive Management Team.

The Committee paid particular attention to the differences between the draft plan now presented and the expected 'Year 2' activity in the three year strategic Internal Audit Plan approved last year. It was noted that a number of reviews originally planned for 2019/20 in the strategic plan were now proposed to be deferred into 'Year 3'. The Committee was concerned to hear that this, in significant measure, was due to cost constraints arising from an increase in Audit Yorkshire's daily rate. The Committee provisionally approved the draft 2019/20 Internal Audit Plan, subject to receiving at the 21 May Committee meeting justifiable rationale for the deferral of 'Year 2' reviews.

As last year, the Committee requested that other Board Committees should have sight of the Internal Audit Plan both for information and potentially for comment.

### 2.4 Counter Fraud Progress Report

Our assigned Counter Fraud Specialist provided an update confirming that counter fraud activity continues in line with the Counter Fraud Annual Plan. It was noted that no significant fraudulent activity had come to light since the last progress report.

### 2.5 Counter Fraud Risk Assessment

The Committee reviewed and noted the results of the 2019/20 Counter Fraud Risk Assessment upon which the 2019/20 Counter Fraud Workplan is based. The assessment is based upon information provided by the NHS Counter Fraud Authority based upon its NHS-wide intelligence.

The Committee sought and received once again assurance with regard to cooperation between Counter Fraud and Internal Audit in assessing and responding to fraud risks.

### 2.6 Counter Fraud Workplan 2019/20

The Committee considered the draft workplan in light of the Counter Fraud Risk Assessment. It was assured that the draft workplan benefitted from benchmarking against others' workplans, whilst being specific to BTHFT.

The Committee approved the workplan.



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## **2.7 Short Stay Ward – Internal Audit Follow-Up Review**

An Internal Audit Review of the Short Stay Ward in January 2018 resulted in a 'Limited Assurance' opinion. A follow-up report presented to the Committee in February 2019 identified inadequate follow-up activity resulting in a further 'Limited Assurance' opinion. The Committee was informed that the Executive Management Team had reviewed the situation now to ensure effective and timely action. Representing the Chief Operating Officer, a Divisional General Manager attended the meeting to report on satisfactory progress to address the shortfalls identified in the original audit report.

## **2.8 Trust Risk Management Strategy**

The Committee was reassured by the actions taken to address recommendations made in the recent ('Significant Assurance') Internal Audit report.

## **2.9 Costing Assurance Programme (CAP) report 2017/18**

The Committee noted the progress made in addressing the actions taken in response to Ernst & Young's findings/recommendations in their Costing Assurance Programme Report 2017/18. The Committee requested a further progress report, hopefully confirming the completion of all remaining actions, at the 21 May Committee meeting.

## **2.10 Supplier Assurance Framework**

The Committee noted an updated paper identifying the Trust's top ten suppliers of goods and services and providing assurance regarding continuity of supply. The Committee requested that the inherent risks to supply be detailed, as a basis for better ensuring the adequacy of assurance. This will be considered at the 21 May meeting.

The Committee acknowledged that recent work to strengthen the Trust's business continuity planning, particularly linked to Brexit, should have a beneficial effect on reliance upon suppliers.

## **2.11 Data Quality**

The Committee welcomed this report which provided a very helpful assurance overview with regard to ensuring data quality within the Trust.

The Committee requested that, as regards the data quality kite mark analysis attached to Board and Committee dashboard reports, the implications of red and

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amber ratings within the kite mark analysis should be spelt out, along with the actions and timescales to move these ratings to green.

## 2.12 Cyber Security

The Committee welcomed the assurance provided by this report. The Committee noted that completion of an Internal Audit report is pending which should further augment assurance regarding this topic. The audit report will be reviewed at the 21 May meeting.

## 2.13 Quality Management System

The Committee noted and was assured by this report which had previously been considered and accepted by Executive Management Team, the Quality Committee and the Board. The Committee was assured that the System was appropriately designed.

## 2.14 Risk Management Strategy 2019/25

The Committee considered the draft revised strategy, produced in the light of the recent Internal Audit review (see 2.8 above) and reviewed by the Integrated Risk & Governance Committee. The Committee acknowledged that it formed a good basis for further developments in the Trust's management of risks and felt it appropriate to recommend Board approval. It was agreed that work should continue to 'bring the Strategy to life', as appropriate, for all Trust personnel.

## 2.15 Corporate Governance: Assurance Framework and Map

The Committee acknowledged the further progress, both made and in imminent prospect, in the development and utilisation of the Trust's Assurance Framework and Map. The Committee concluded that it was suitably designed, albeit with additional work still in progress.

## 2.16 Regulatory Compliance

The Committee recognised that there is a vast array of statutory and regulatory requirements under which the Trust operates and the difficulty of being assured as to 100% compliance at all times. The Committee felt assured that there is strong focus on ensuring compliance with all statutory and regulatory requirements and welcomed that work continues even better to ensure that this very substantial challenge is met.

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The Committee acknowledged the continuing work to share and receive good practice and benchmarking information with other Trusts.

### **2.17 Board Sub-Committee Exception Reports**

The Director of Governance and Corporate Affairs provided the Committee with a verbal Trust-level overview of progress in being assured as to the 11 question topics included in Appendix 1 of each Board Committee's revised terms of reference (see section 3.2). This overview recognised that, at Trust level, further assurance is known to be required with regard to questions 4 and 6.

### **2.18 Board Assurance Framework and Strategic Risk Register**

The Committee recognised the on-going work by executive management, Board Committees and the Board to maintain and utilise the Board Assurance Framework (BAF) and the Strategic Risk Register (SRR) to ensure that risks relating to the Trust's Strategic Objectives are fully identified, assessed and appropriately managed. The Committee acknowledged the recent 'Significant Assurance' Internal Audit report (BH/32/2019 above).

Board Committee Assurance Reports as per 2.17 above will, taken together, further clarify and confirm the breadth and quality of assurance available in respect of the BAF and SRR.

### **2.19 Draft Annual Report and Quality Report 2018/19**

The Committee had previously submitted comments on the preliminary draft Annual Report and undertook to review and provide further comments once a version populated with 31 March 2019-specific information was available.

The Committee noted that it awaited at its 21 May meeting a report from the Quality Committee providing assurance regarding the robustness of the process by which the Quality Report had been produced.

## **3. Other matters**

### **3.1 Matters raised in the meeting to escalate to Corporate Risk Register**

None.

### **3.2 Other matters to escalate to the Board of Directors**

The recently revised terms of reference for each of:

- Finance & Performance Committee

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- Quality Committee
- Workforce Committee
- Major Projects Committee
- Partnerships Committee

require the Committees, with regard to their respective domains, to report to the Audit & Assurance Committee, on behalf of the Board, on the performance of the Committee/the assurance that each Committee has derived in respect of 11 specific questions:

- 1) Is there clear ownership and responsibility for all areas of the Board Assurance Framework across Board Committees?
- 2) Is there clear ownership of all strategic risks scored equal to or greater than 12 across Board Committees?
- 3) Are Committees receiving robust assurance that all risks scored equal or greater than 12 relevant to their terms of reference are being effectively managed?
- 4) Is there clear ownership and responsibility for the clinical strategy (including supporting strategies and delivery plans) across the Committees)?
- 5) Are there effective processes in place to construct and maintain the Board Assurance Framework?
- 6) Are there effective processes in place to maintain the clinical strategy and supporting strategies?
- 7) Are processes in place in the organisation to ensure that risks are identified in the organisation and escalated as appropriate to the strategic risk register?
- 8) Does the annual planning process align to the strategy, strategic risk and the Board Assurance Framework?
- 9) Is there evidence that Committees are covering all their responsibilities in their meeting cycles?
- 10) Are there codified and well understood approaches to assurance being applied consistently by Committees?
- 11) Are data being used by Committees for evidence both accurate and timely?

The provision of these assurance reports to the Audit Committee has yet to commence.

#### 4 Recommendation

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