

Meeting Title	Board of Directors		
Date	11.7.19	Agenda item	Bo.7.19.26

REPORT FROM THE AUDIT & ASSURANCE COMMITTEE MEETINGS 21 & 23 MAY 2019

Presented by	Barrie Senior – Non-Executive Director and Audit Committee Chairman		
Author	Barrie Senior – Non-Executive Director and Audit Committee Chairman		
Lead Director	Matthew Horner, Director of Finance		
Purpose of the paper	To provide an update regarding key matters covered in the Audit & Assurance Committee meeting on 5 February 2019		
Key control	Identify if the paper is a key control for the Board Assurance Framework		
Action required	To note		
Previously discussed at/ informed by			
Previously approved at:	Committee/Group	Date	
Recommendation			
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	
	Risk (*)					
Explanation of variance from Board of Directors Agreed General risk appetite (G)						

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

Regulation, Legislation and Compliance relevance

NHS Improvement: (please select those that are relevant)	
<input type="checkbox"/> Risk Assessment Framework	<input type="checkbox"/> Quality Governance Framework
<input type="checkbox"/> Code of Governance	<input type="checkbox"/> Annual Reporting Manual
Care Quality Commission Domain:	
Care Quality Commission Fundamental Standard:	
Other (please state):	

[illegible]

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1	PURPOSE/ AIM
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To provide an update regarding key matters covered in and relating to the Audit & Assurance Committee meetings on 21 and 23 May 2019.

2	BACKGROUND/CONTEXT
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The agendas of the meetings held on 21 and 23 May 2019 were driven by the 2018/19 Audit and Assurance Committee Annual Workplan.

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

21 May

- Internal Audit Progress Report
- Follow Up on Internal Audit Recommendations
- Draft Internal Audit Annual Report and Head of Internal Audit Opinion 2018/19
- Draft Internal Audit Plan 2019/20
- BTHFT Annual Accounts 2018/19
- Production of the Quality Report 2018/19
- Draft Annual Report and Quality Report 2018/19, including the Annual Governance Statement
- Draft External Audit Report to the Committee on the 2018/19 Audit of the Trust's Accounts
- Draft External Audit Report on the External Assurance Review of the 2018/19 Quality Report
- Board Assurance Framework and Strategic Risk Register
- Board Committee Oversight
- Costing Assurance Programme (CAP) report 2017/18

23 May

- Counter Fraud Annual Report 2018/19
- Internal Audit Annual Report and Head of Internal Audit Opinion 2018/19
- External Audit Report to the Committee on the 2018/19 Audit of the Trust's Accounts
- External Audit Report on the External Assurance Review of the 2018/19 Quality Report
- Final BTHFT Annual Accounts 2018/19
- Draft Letter of Representation 2018/19
- BTHFT Annual Report and Quality Report 2018/19

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- Annual Governance Statement 2018/19

3	RECOMMENDATIONS
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The Board is asked to note and derive assurance from this report.

4	APPENDIX
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Report included overleaf

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Audit and Assurance Committee Report to the Board, 11 July 2019

1. Introduction

The purpose of this paper is to inform the Board of Directors of the key matters discussed and considered during and in relation to the Audit and Assurance Committee meetings held on 21 and 23 May 2019.

2. Key Matters discussed

21 May meeting

2.1 Internal Audit Progress Report

Internal Audit reported that eleven audit reports had been finalised since the April Committee meeting, completing the work planned for 2018/19. Four reports provided Significant Assurance, three Limited Assurance, with the remaining four not carrying an assurance rating, being reports on audit recommendation follow-up actions and benchmarking exercises across a number of local Trusts.

BH/41/2019 – Safer Staffing – Ward Rostering/Resource Management – *Significant Assurance*

The objective of this review was to provide assurance that controls are in place to ensure the correct level of staff and skill mix is available to deliver safe, effective patient care and to robustly manage resources.

A mixture of high and significant assurance levels were recorded against the individual control objectives that were subject to audit. Only two minor recommendations were made, both due for completion by 30 June.

BH/42/2019 – Cyber Security – *Significant Assurance*

The objective of this audit was to provide assurance that effective processes are in place and are being adhered to so as to appropriately manage cyber security risks. Here again, a mixture of high and significant assurance levels were recorded against the individual control objectives that were subject to audit. One moderate and one minor recommendation were made, both due for completion in Q4 2019.

BH/43/2019 – Mandatory Training Benchmarking (no assurance rating)

This report arose from a request that Audit Yorkshire, our internal audit provider, undertakes a benchmarking exercise across a number of West and North Yorkshire

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trusts to gain an understanding of what areas are deemed to be classified as mandatory training, the attainment levels required for each training module and how the modules are delivered.

The Committee noted the findings with interest, but requested sight of the actions to be taken by whom and by when in the light of the review findings.

BH/44/2019 – Follow Up of Internal Audit Recommendations (no assurance rating)

See 2.2 below.

BH/45/2019 – Carriage of Dangerous Goods – *Limited Assurance*

The objective of this review was to provide assurance that the Trust has appropriate and effective controls in place for the Control of Substances Hazardous to Health (COSHH).

The Review highlighted key issues requiring management attention. The review identified that the Trust's COSHH Oversight Working Group was not operating in accordance with its terms of reference and had failed formally to agree a work plan for either of the last two years. The review further identified that both a risk assessment programme and a spot check schedule were not being progressed in line with an agreed timescale. The review resulted in five moderate and six minor recommendations being made.

The Committee was reassured by the Director of Governance and Corporate Affairs that all recommendations are being pursued as quickly as possible.

BH/46/2019 – Patient Safety – National Standards for Cancer Patients – *Limited Assurance*

The objective of this review was to provide assurance that performance information relating to cancer waiting times is collected reliably, recorded correctly and reported accurately.

The review resulted in two major, four moderate and one minor recommendation.

The Chief Operating Officer attended the Committee meeting to:

- confirm that the report accurately reflected the situation at the time of the review (The period under review by Internal Audit was 1 April to 31 December 2018)
- reassure the Committee that, as already reported to Finance & Performance Committee and to Board, substantial improvements have already been made as part of the cancer recovery programme

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- in response to Committee members' challenges, confirm that work is progressing well to respond to all of the audit recommendations, with all to be completed by 31 August.

BH/47/2019 – Maternity Improvement Plan; Effectiveness and Embedding – Significant Assurance

The objective of this review was to provide assurance that actions assigned in the Improvement Plan have been effectively completed.

Internal Audit concluded, based upon audit evidence obtained, that the actions within the Plan have been completed. No audit recommendations were raised.

BH/48/2019 – Asset Management – Stores, Stock and Inventory – Limited Assurance

The objective of this review was to provide assurance that the Trust has effective systems and processes in place for the ordering, storing, tracking and controlling of the Trust's top up inventory.

Internal Audit concluded that the Trust has generally adequate processes in place but raised one major, two moderate and three minor recommendations. The key weaknesses found related to:

- goods inward being misplaced by ward staff resulting in unnecessary reordering and wastage
- goods inward not consistently being checked upon receipt
- stock transfers and disposals not reliably being recorded

The Director of Finance reassured the Committee that Finance are working in close cooperation with Operations to respond to the audit recommendations, all of which are scheduled to be completed by 30 September.

BH/49/2019 – Payroll Overpayments Benchmarking (no assurance rating)

Audit Yorkshire reported having undertaken a benchmarking exercise across a number of West and North Yorkshire trusts to review the level of payroll overpayments and their cause(s).

Of particular note was that the Trust has the highest average overpayment amount amongst the five Trusts in the review and one of the highest incidences of overpayments per 1000 employees. The Trust only achieves recovery of some 29% of amounts overpaid.

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As for BH/43/2019 above, the Committee noted the report and requested an update at the July Committee meeting confirming what actions are being taken as a result of the benchmarking findings, by whom and by when.

BH/50/2019 – Workforce Information Benchmarking (no assurance rating)

The purpose of this benchmarking review was to identify the range of methodologies used by a number of local Trusts to calculate key workforce indicator information, including vacancy rates, temporary workforce spend, and staff turnover rates.

The Committee noted the report and requested an update at the July Committee meeting confirming what actions are being taken as a result of the benchmarking findings, by whom and by when.

BH/51/2019 – Stakeholder Engagement; Public/Patient Engagement (Friends and Family Test, PALS) – *Significant Assurance*

The purpose of this review was to provide assurance that the Trust has adequate systems to implement, review and maintain effective communication and engagement with patients and the public.

One moderate audit recommendation was raised, suggesting that increased effort should be made to ensure that all PALS (Patient Advice Liaison Service) concerns, comments and compliments are acted upon on a timely basis.

2.2 Follow Up on Internal Audit Recommendations

Based upon experience elsewhere, Committee members commented upon the relatively low number of long outstanding audit recommendations.

The Internal Audit Manager confirmed that she was satisfied that deadlines for the completion of internal audit recommendations are generally as tight as is reasonable. She nevertheless undertook to meet with each Executive Director to reassess the stringency of deadlines and actions being taken to meet them.

2.3 Draft Internal Audit Annual Report and Head of Internal Audit Opinion 2018/19

The Committee noted the content of the Report and the Opinion, raising questions suitably answered with regard to compliance with Public Sector Internal Audit Standards. The Committee approved the Report and accepted the Opinion.

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2.4 Draft Internal Audit Plan 2019/20

Based upon additional reassurances over and above those presented and considered at the April Committee meeting, the Committee approved the Internal Audit Plan 2019/20.

2.5 BTHFT Annual Accounts 2018/19

The Committee members reflected that they had met in late April with senior Finance personnel to discuss the draft accounts and to obtain satisfactory answers to questions arising from their reviews of the accounts and of an analytical review thereof.

The Committee reflected again upon the two key accounting treatment matters affecting this year's financial statements: the adoption of the Modern Equivalent Asset Value (MEAV) approach to fixed asset valuation, and accounting for the Capital Goods Scheme (CGS) related to setting up of a Wholly Owned Subsidiary. The Committee noted the extensive related deliberations between Committee members and senior Finance and External Audit personnel, and also by the Board and by an appointed Sub-Group of the Board that included the Committee Chairman.

Whilst noting that External Audit took different views on the preferred accounting treatment for MEAV and CGS (resulting in significant but not audit material differences), the Committee concluded that it was content, subject to formal final consideration at the 23 May meeting, to recommend to the Board the approval and adoption of the accounts as substantially previously provided in draft to External Audit and NHSI.

2.6 Production of the Quality Report 2018/19

The Committee formally considered and was satisfied by the process by which the Quality Report had been produced, reviewed and refined, noting the assurance provided by the Trust's Quality Committee in accordance with that Committee's terms of reference.

2.7 Draft Annual Report and Quality Report 2018/19, including the Annual Governance Statement

The Committee noted the extent of reviews and input received (including Committee members' own comments) in respect of all three documents.

The Committee anticipated at the 23 May meeting formally recommending Board acceptance and approval.

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2.8 Draft External Audit Report to the Committee on the 2018/19 Audit of the Trust's Accounts

The Committee received confirmation from External Audit that the audit of the financial statements was well progressed and that final clearance, with an unmodified audit opinion, would be available at the 23 May Committee meeting. External Audit provided their updated opinions on the Trust's chosen accounting treatments with regard to MEAV and CGS, confirming that the unadjusted audit differences identified, whilst significant, fell collectively short of audit materiality.

2.9 Draft External Audit Report on the External Assurance Review of the 2018/19 Quality Report

External Audit reported on their work to review the three selected quality indicators:

- mandatory – AED 4 hour
- mandatory – 62 day cancer wait
- local (but strongly recommended by NHSI) – Summary Hospital-level Mortality Indicators (SHMI)

As regards AED 4 hours, 3 breach cases out of a sample of 25 were found to have been corrected to non-breach without adequate information to support the correction being logged on the system. Senior management have undertaken to remind staff as to the correct procedure to be followed.

External Audit had no comments to make in respect of the 62 day cancer wait and SHMI indicators.

With only minor tasks left to complete, External Audit confirmed that they expected to issue an unmodified opinion on the Quality Report 2018/19.

2.10 Board Assurance Framework (BAF) and Strategic Risk Register (SRR)

The Committee noted the continuing work of other Committees to review their respective elements of the BAF and SRR.

The Committee welcomed and acknowledged the significant improvements over the last year to increase persuasive assurance regarding risks related to the Trust's strategic objectives.

2.11 Board Committee Oversight

The Committee acknowledged plans now in place for other Board Committees to bear in mind the on-going requirements placed upon them by Appendix 1 of their respective terms of reference. (see 3.2 in the Audit Committee report to the 9 May Board meeting)

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The Audit Committee Chairman will liaise with other Board Committee Chairs to monitor progress in complying with Appendix 1. Other Board Committee Chairs will provide annual reports to the Audit Committee each February formally confirming compliance with Appendix 1.

2.12 Costing Assurance Programme (CAP) report 2017/18

The Committee received an update on the action plan arising in the report, noting that the majority of actions are now completed with the remainder soon to follow.

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2.13 Counter Fraud Annual Report 2018/19

The Committee noted that the contents of the Counter Fraud Annual Report were wholly consistent with the progress reports that the Committee had received during the year. The Committee accepted the report.

2.14 Internal Audit Annual Report and Head of Internal Audit Opinion 2018/19

The Report and Opinion had been considered in detail during the 21 May meeting and, there having been no points outstanding nor changes made since then, the Committee formally received and accepted the Report and Opinion.

2.15 External Audit Report to the Committee on the 2018/19 Audit of the Trust's Accounts

External Audit provided to the Committee a verbal update by reference to the draft report presented to and discussed at the 21 May Audit Committee meeting, with the intention that the final version would be available prior to the Board meeting on 24 May.

External Audit confirmed that the unadjusted differences arising from their preferred accounting treatment in respect of MEAV (Modern Equivalent Asset Valuation) and CGS (Capital Goods Scheme) did not breach audit materiality.

External Audit confirmed that, whilst a few minor matters remained outstanding, they fully anticipated issuing an unmodified audit report on the Trust's Annual Report and Accounts 2018/19.

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2.16 External Audit Report on the External Assurance Review of the 2018/19 Quality Report

External Audit confirmed that all work was now completed and an unmodified opinion would be issued.

2.17 Final BTHFT Annual Accounts 2018/19

With only one minor change by reference to the accounts considered by the Committee on 21 May and in the light of all previous reviews, consideration and decisions, the Committee agreed to accept the accounts and to recommend their approval to Board.

2.18 Draft Letter of Representation 2018/19

In the light of the Acting Chief Executive, Director of Finance and Trust Secretary all confirming that they were content for the letter to be signed and provided to External Audit, the Committee approved the wording of the letter.

2.19 BTHFT Annual Report and Quality Report 2018/19

Based upon the assurances available to the Committee at the 21 May meeting and reassurances regarding the final minor changes to the Reports, the Committee agreed to recommend Board approval of the Reports.

2.20 Annual Governance Statement 2018/19

The Acting Chief Executive (ACE), as the Trust's Accounting Officer, talked through and commented upon the key elements and content of the Annual Governance Statement. This provided a valuable addition to the Committee's prior review of the draft Statement. The Committee concluded that the Statement provided the mandated assurance which was consistent with the Committee's observations during the year with regard to internal control, risk management and governance.

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

None.

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4 Recommendation

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

Barrie A Senior FCA
Chairman