

AUDIT AND ASSURANCE COMMITTEE MEETING AGENDA

Date:	Thursday, 23 May 2019	Time:	13:00-14:00
Venue:	Trust Meeting Room, Trust HQ, BRI	Chair:	Barrie Senior, Non-Executive Director
Present	Non-Executive Directors: <ul style="list-style-type: none"> - Mr Barrie Senior, Non-Executive Director (BS) (via conference phone) - Mr Jon Prashar, Non-Executive Director (JP) (via conference phone) 		
In Attendance:	<ul style="list-style-type: none"> - Mr John Holden, Acting Chief Executive, for item A.5(2).19.10 - Mr Matthew Horner, Director of Finance (MH) - Mr Michael Quinlan, Deputy Director of Finance (MQ) - Ms Karina Rogers, Audit Yorkshire (KR) - Ms Adele Jowett, Counter Fraud (AJ), - Mr Paul Hewitson, Deloitte (PH) via conference phone - Ms Tanya Claridge, Director of Governance and Corporate Affairs (TC) - Ms Jacqui Maurice, Head of Corporate Governance (JM) Minutes 		

No.	Agenda Item	Actions
A.5(2).19.1	Apologies for Absence Ms Selina Ullah, Non-Executive Director (SU)	
A.5(2).19.2	Declarations of Interest There were no interests were declared.	
A.5(2).19.3	Counter Fraud Annual Report 2018/19 (including self-review tool) BAS advised that the annual report presented is consistent with the counter fraud reports received by the AAC in year. He further informed the AAC that the self-review tool was signed off at the end of April by himself and MQ (on behalf of MH). He recommended that the Committee note the Annual report subject to any questions from JP. JP confirmed that he had no questions. The AAC formally noted and accepted the report.	
A.5(2).19.4	Internal Audit Annual Report & Head of Internal Audit Opinion final BAS reminded the Committee that this report was considered by the Ac at its meeting held 21 May 2019. There were no points raised at that meeting and hence no changes were requested. TC confirmed that there had been no changes to the report since it was considered by the AAC on 21 May 2019. The AAC formally received and accepted the report.	
A.5(2).19.5	ISA 260 – Foundation Trust BAS advised that he had recently spoken with Nick Rayner, Deloitte LLP, earlier in the day. NR had explained that the documents had not yet been updated. BAS advised PH that he understood the time pressures that the External Auditor had been working with and stated that he was keen to receive an update, by reference to the document received on 21 May, coupled with an update as to how the AAC will receive a final 'uncaveated' version prior to the Board of Directors meeting at 1pm on 24 May 2019. PH stated that, as discussed with BAS following the meeting on 21 May	

	<p>2019, the final document would be available at the end of today (23 May) or at the very latest first thing on 24 May 2019. As such a verbal update would be provided to this meeting.</p> <p>PH referred to the report presented to the meeting on 21 May 2019 reminding the Committee that he had advised that the report was largely complete. The only matter outstanding relates to the financial statements where the figures declared in the notes with regard to the Joint Venture related parties do not match those in the draft financial statements for the Joint Venture.</p> <p>In the final analysis the difference is only £2m, which is an acceptable margin, however he (PH) has a duty to bring this to the attention of the AAC as it might be an exposed deficiency in the transaction between the Trust and the Joint Venture.</p> <p>BAS asked MH and MQ the reason for the difference and asked if this could be rectified before final sign off. MQ stated that there is a difference – he thought that the figures presented in the Accounts are correct in terms of the related party disclosure notes. The difference is around the total expenditure for the Joint Venture as opposed to what charge has been made. The finance team is working with the Deloitte team just to explain that and a colleague from Airedale is in conversation with Deloitte to confirm. Finance team is confident that the figures in the Annual Accounts are correct. MQ stated that the figures would be finalised by close of the day.</p> <p>BAS stated that this was not an item that was flagged in the ISA 260 at the meeting of the AAC held on 21 May. PH stated that the testing at that point was still outstanding.</p> <p>PH reminded the AAC that on 21 May the AAC had been advised that Deloitte were awaiting the paper from management on the Capital Goods Scheme which analysed the geography on where the adjustment would fall between I&E and revaluation. The letter of representation has been circulated along with accompanying appendices explaining the differences in analysis.</p> <p>The AAC noted that the letter it had sight of did not have the appendices attached. BAS requested that PH explain the difference in analysis to that presented on 21 May 2019.</p> <p>PH stated that in the original draft there was the depreciation adjustment which had £211k going into depreciation and then £0.6m going into reversal impairment with the difference going out to the revaluation reserve which remained the same as previously reported. Below that there was an adjustment of £4.6m between debtors and depreciation, that is the one that now changes so is now £4.6m reversing out of I&E and then £3.7m goes back to give a net of £1.6m on I&E and the difference goes into the revaluation reserve.</p> <p>MQ asked PH to confirm the figures against the £8.2m materiality headroom. PH stated that there was £3m on I&E and £3m on revaluation. PH explained that the Trust was assessed against each category and so the impact on I&E was £3m which was material and the impact on the reserves was £3m and that was not material either and therefore the errors are not material.</p>	<p>PH</p>
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	<p>PH stated that the only other matter that is still ongoing is the WGA report. The testing on that is underway by Deloitte however, in the unlikely event that is not concluded by the close of 24 May 2019 that will not prevent Deloitte from signing the financial statements as the WAG is a wholly separate opinion that needs to go to the NAO.</p> <p>At the request of BAS, PH agreed to provide a reconciliation report in relation to the ISA 260 presented to the AAC on 21 May 2019 and the verbal report presented at this meeting. This would be provided to MQ in the first instance for his review and then circulated to the AAC as a matter of urgency for consideration before the Board Meeting at 1pm on 24 May 2019.</p> <p>BAS stated that he was of the opinion that the AAC could not approve the ISA 260 until it had sight of the final document however, he asked PH if he was in a position to confirm if all the requisite work had been completed for the External Auditor to issue an unmodified opinion on the Annual Accounts 2018/19.</p> <p>PH stated that his team had some administrative work still to attend to however, to attend to however with the work substantively concluded, he saw no barrier to issuing an unqualified opinion on 24 May 2019.</p> <p>PH further advised however, that up to the point of the External Auditor signing off they have to be satisfied that there are no matters arising that would change their opinion and so they require the signed management letter of representation.</p> <p>The AAC noted the progress of the ISA 260 and took assurance from the comments from PH that there is nothing in the way of the auditors expressing unmodified option bearing in mind the minor matters related to the work yet to be completed.</p>	PH
A.5(2).19.6	<p>External Audit Report on the Quality Account</p> <p>PH stated that further to the previous report provided to the AAC, the consistency review was now complete. There were no outstanding matters pertaining to the indicators or the audit.</p> <p>BAS stated that with reference to the draft presented to the Committee on 21 May there are a number of 'tbc's' included. PH advised that a number of final figures would be added into the final document to make it ready for submission to NHSI along with the main document. PH further confirmed that there was nothing in the way of the Auditor providing an unmodified opinion.</p> <p>The AAC noted the report.</p>	
A.5(2).19.7	<p>Final Annual Accounts 2018/19</p> <p>BAS reported that at the meeting on 21 May the AAC was satisfied with the Accounts presented. He asked MQ if there had been any changes made in the interim. MQ stated that there was one slight change which is how the Trust presents the £4.6m Capital Goods Scheme. Rather than treating it as a capital addition it is now treated as a de-recognition and so there is a separate line for that and within the I&E statement; rather than treating it as depreciation it is now showing the credit entry as a reduction in expenditure. That is the only change. In terms of the overall primary statement it has not made any difference to how it was presented within the notes. MQ agreed to confirm the change within an email to the AAC.</p>	MQ

	<p>BAS stated that in terms of the reviews undertaken, questions that had been answered and the assurances received during the AAC review of the Accounts he proposed that the AAC accept them and recommend approval and signing by the Board of Directors.</p> <p>The AAC agreed.</p>	
A.5(2).19.8	<p>Draft Letter of Representation 2018/19</p> <p>BAS asked MH in his capacity as Finance Director and TC in her capacity as Trust Secretary; if they were content with the representations included within the letter with regard to finance and legal matters. Both confirmed that they were. JH further confirmed that he would be content to sign in his capacity as Accountable Officer following the meeting of the Board of Directors on 24 May 2019.</p> <p>The AAC confirmed its approval of the wording of the Letter of Representation 2018/19.</p>	
A.5(2).19.9	<p>Draft Annual Report/Quality Report 2018/19</p> <p>BAS stated that at the meeting held on 21 May the AAC was not in a position to review all recent changes as the Annual Report/Quality Report 2018/19 was not in its final form. BAS asked for assurances with regard to the version presented. TC advised that due diligence checks had been conducted by the Executive Directors. She advised that there were two key areas changed following a challenge and query raised by the External Auditor. These related to:</p> <ul style="list-style-type: none"> - Learning from Deaths and the Mortality Indicators: the External Auditor had queried if the Trust had complied with the 'square bracket phrases' Trusts' were required to include. TC advised the AAC that the Executive lead, the Chief Medical Officer, had reviewed and signed off that inclusion. - The External Auditor had also requested a consistency check on the information presented in relation to Complaints. TC confirmed that this had been completed. <p>BAS referenced the comment made by the External Auditor at the previous AAC meeting with regard to a number of inconsistencies in some of the financial figures presented within the report and corresponding figures within the Annual Accounts. MQ confirmed that the reporting was now consistent.</p> <p>The AAC agreed that it would recommend to the Board of Directors to approve the Annual Report/Quality Report 2018/19.</p>	
A.5(2).19.10	<p>Annual Governance Statement (AGS)</p> <p>BAS stated that a key part of the Annual Report was the AGS which the Committee considered to an extent at its meeting on 21 May 2019. There was however a requirement, in line with best practice, for the Accounting Officer to present the AGS to the AAC. BAS stated that he made the point at the previous meeting that the AGS, in terms of its substance, reflects the improvements that have been made in governance at the Trust over the last year and is a more readable document and compliments were due to TC. JH echoed the comments expressed by BAS.</p> <p>JH stated that by way of context AGS was a mandated part of the annual reporting. There was a requirement for a number of mandated statements</p>	

	<p>which included reference to;</p> <ul style="list-style-type: none"> - The scope of responsibility as accounting officer. - The purpose and effectiveness of the systems of internal control - Confirmation of the Trust's compliance with registration requirements of the CQC and; - Ensuring the Trust has control measures in place regarding employer obligations for NHS pension scheme. <p>JH advised that a section was required on the Trust's review of effectiveness and advised that he was awaiting sight of a statement from Deloitte in that regard. In all other respects, stated JH, he has had sight of what he needs to review in respect of the review of effectiveness.</p> <p>JH stated that in addition the AGS provides assurance on the Trust's capacity to handle risk which as described in the AGS is undertaken through Governance and Corporate Affairs. JH described in detail the measures in place with regard to the escalation process and the training delivered to staff regarding governance and risk management awareness. JH also referred to the good processes in place with regard to mitigation, control and learning lessons and; the links to the risk and control framework.</p> <p>JH referred to data security, the use of the information governance toolkit, the role of the SIRO and the Caldicott Guardian.</p> <p>JH stated that he was satisfied that the resource and financial governance arrangements are appropriate and proportionate and are supported both by the work of the internal audit team and external audit.</p> <p>With regard to governance and leadership, the organisation now has a more mature understanding of why these things are important and fundamental to good governance of the Trust. JH referred to his contact with all Board members requesting written confirmation that they are satisfied with respect to their individual areas of responsibility.</p> <p>JH stated that with regard to the quality of care there are assurances that he can draw about the extent to which all required items have been dealt with.</p> <p>JH confirmed to the AAC that there are no significant internal control issues that have been identified. JH stated that he is also required to make a disclosure of any serious incidents related to information governance and he is pleased to state that there are no serious externally reportable incidents related to information governance. None-the-less for completeness the AGS does list a few items which relate to IG which the ICO would not raise concerns about. JH added that the requisite statement is included with regard to the accuracy of data and, the AGS also includes a Board organogram.</p> <p>JH concluded by stating that he was satisfied that the AGS for 2018/19 is fit for purpose and would recommend the AGS to the AAC.</p> <p>BAS stated that this was a useful summary and that he agreed with all assertions made based on his activity as a NED and chair of the AAC he took the view that; the AGS as presented is a fair and complete representation of facts and is suitable to be signed and accepted.</p> <p>JP stated that he agreed with all views expressed. He stated that there</p>	
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	<p>had been significant improvements and the direction of travel was good. It was important he said to maintain the good work.</p> <p>BAS stated that, at the meeting of the AAC in April the Head of Internal Audit had praised the improvements that had taken place within the Trust over the past year and that the Trust was ahead of other NHS organisations and as such congratulations were in order however, he would concur with JP and emphasised the need to continuously seek improvements.</p> <p>BAS thanked JH and proposed that the AAC approves the AGS and recognises it is appropriate for JH to sign as accounting officer.</p> <p>The AAC approved the proposal.</p>	
A.5(2).19.11	<p>Any other Business</p> <p>There was no other business discussed</p>	
A.5(2).19.12	<p>Matters to share with other committees</p> <p>There were no matters to share with other committees</p>	
A.5(2).19.13	<p>Matters to escalate to Strategic Risk Register</p> <p>There were no matters to escalate</p>	
A.5(2).19.14	<p>Matters to escalate to the Board of Directors</p> <p>There were no matters to escalate to the Board however it was noted that there were a range of documents on which to report to the meeting on 24 May 2019.</p>	
A.5(2).19.15	<p>Items deferred to subsequent meetings</p> <p>There were not items deferred</p>	
A.5(2).19.16	<p>Attendees for subsequent Audit Committee meetings</p> <p>This Item had been dealt with on 21 May 2019</p>	
A.5(2).19.17	<p>Review of meeting</p> <p>BAS stated that key actions had been discussed. There was a need to see confirmation of the final reporting matters being dealt with. The actions from the meeting were noted.</p>	
A.5(2).19.18	<p>Date and time of next meeting:</p> <p>Tuesday, 30 July, 2-5pm, Trust Meeting Room, Chestnut House, BRI</p>	



Bradford Teaching Hospitals

NHS Foundation Trust

**BRADFORD TEACHING HOSPITALS NHS FOUNDATION TRUST
ACTIONS FROM AUDIT AND ASSURANCE COMMITTEE MEETING HELD 23 MAY 2019**

Date of Meeting	Agenda Item	Required Action	Lead	Timescale	Comments/Progress
23.05.19	A.5(2).19.5	ISA 260 – Foundation Trust The final document would be available at the end of today (23 May) or at the very latest first thing on 24 May 2019.	Paul Hewitson, Deloitte LLP	24 May 2019	Action complete
23.05.19	A.5(2).19.5	ISA 260 – Foundation Trust PH agreed to provide a reconciliation report in relation to the ISA 260 presented to the AAC on 21 May 2019 and the verbal report presented at this meeting. This would be provided to MQ in the first instance for his review and then circulated to the AAC as a matter of urgency for consideration before the Board Meeting at 1pm on 24 May 2019.	Paul Hewitson, Deloitte LLP	24 May 2019	Action complete
23.05.19	A.5(2).19.7	Final Annual Accounts 2018/19 MQ agreed to confirm changes within an email to the AAC.	Michael Quinlan, Deputy Director of Finance	23 May 2019	Action complete