

Meeting Title	Board of Directors		
Date	09.01.20	Agenda item	Bo.1.20.20

## REPORT FROM THE AUDIT & ASSURANCE COMMITTEE

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 and relating to the Audit & Assurance Committee meeting on 3 December 2019		
Key control			
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	
Explanation of variance from Board of Directors Agreed General risk appetite (G)	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"/>
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
<b>Care Quality Commission Domain:</b> Choose an item.	
<b>Care Quality Commission Fundamental Standard:</b> Choose an item.	
<b>Other (please state):</b>	

[illegible]

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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 3 December 2019.

<b>2</b>	<b>BACKGROUND/CONTEXT</b>
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The agenda of the meeting held on 3 December 2019 was driven by the 2019/20 Audit and Assurance Committee Annual Workplan.

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

- External Audit Annual Plan 2019/20
- Internal Audit Progress Report
- Internal Audit Follow-Up Reports
- Internal Audit Charter and Working Together Protocol
- Counter Fraud Progress Report
- Schedules of Losses and Special Payments
- Single Source Tenders
- Annual Security Report 2018/19
- Standing Financial Instructions
- Reservation of Powers to the Board and Scheme of Delegation
- Accounting Standards (latest developments): IFRS16
- ISA260 – Charitable Funds
- Charitable Funds Annual Report and Accounts 2018/19
- Board Assurance Framework and Strategic Risk Register
- Oversight of Board Committees
- CQC Compliance
- Draft Audit & Assurance Committee Annual Report to Board 2018/19
- Data Quality Assurance
- Audit Committee Annual Self Assessment 2019
- Regulatory Compliance
- Business Continuity Update: Emergency Preparedness Resilience & Response (EPRR)

<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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4	APPENDIX
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Report included overleaf

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## **Audit and Assurance Committee Report to the Board, 9 January 2020**

### **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 meeting held on 3 December 2019.

### **2. Key Matters discussed**

#### **2.1 External Audit Annual Plan 2019/20**

The Committee received a verbal report regarding progress with audit planning and noted that this had been put on hold pending a decision regarding the establishment of a Wholly Owned Subsidiary. The Committee will receive the External Audit Plan at its February meeting.

#### **2.2 Internal Audit Progress Report**

Internal Audit reported that, as part of completing the agreed 2019/20 Internal Audit Plan, 16 audit reports had been agreed with management since the last Audit & Assurance Committee meeting, with 15 carrying a Significant Assurance opinion and one carrying a Limited Assurance opinion.

#### **BH/04/2020 Absence Management – Significant Assurance**

The objective of the review was to provide assurance that the Trust has adequate arrangements in place to support effective management of absences from work and that the Trust's absence/sickness policies are being complied with.

#### **BH/05/2020 Analysis, Categorisation and Reporting of Litigation Costs – Significant Assurance**

The objective of this review was to provide assurance that the Trust has adequate processes and procedures in place to thoroughly investigate claims prior to their acceptance, to manage any resulting liability and to effectively disseminate learnings to reduce the risk of similar claims in the future.

#### **BH/06/2020 Incident Reporting; Learning from Incidents and Serious Incidents – Significant Assurance**

The objective of this review was to provide assurance that the Trust has adequate arrangements in place for reporting incidents and for learning lessons from past incidents, including in respect of Serious Incidents (Sis). The review resulted in two

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Moderate and three Minor recommendations, all scheduled for completion by 31.12.19.

#### **BH/07/2020 Estates and Equipment Maintenance – Significant Assurance**

The objective of this review was to provide assurance that an Estates repair and equipment maintenance programme is in place and is effectively managed. The Committee noted that the review had resulted in four Moderate priority recommendations, but that all were scheduled to be acted upon by 31.12.19.

#### **BH/08/2020 Statutory Regulation Identification and Compliance Management – Vehicle Safety – Significant Assurance**

The objective of this review was to provide assurance that the recommendations in the previous Limited Assurance review BH/19/2019 have been implemented. The review found that one Moderate and five Minor recommendations remained to be acted upon. The Committee was reassured that all recommendations had been acted upon by 30.11.19.

#### **BH/09/2020 Provider to Provider Contracts; Follow Up of Limited Assurance Report – Significant Assurance**

The objective of this review was to provide assurance that the recommendations arising for the Limited Assurance review BH/23/2019 had been acted upon. The review confirmed that only one Minor recommendation was yet to be finalised, by 31.12.19.

#### **BH/10/2020 Business Continuity of Mission Critical Information Technology Systems – Significant Assurance**

The objective of this review was to provide assurance that the continuity of critical operational processes and delivery of key Trust objectives can be maintained during incidents that threaten the availability of, or access to, mission critical IT systems. The audit focused on EPR (Electronic Patient Records), Maternity, Pathology and Radiology IT systems, and on the Trust's related IT infrastructure. The review resulted in five Moderate and two Minor recommendations, all of which were scheduled for completion by January 2020, with the exception of one that will be addressed as part of Trust-wide Business Continuity Plan testing by August 2020.

#### **BH/11/2020 Safeguarding – Mental Health Act – Significant Assurance**

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The objective of this review was to provide assurance that the Trust has effective arrangements in place to ensure a consistent application of the Mental Health Act 1983 (revised 2007) and that actions taken are appropriately documented in line with guidance. The review resulted in five Moderate and one Minor recommendation all related to eliminating lapses in documentation. The Committee was reassured that all recommendations had already been acted upon.

#### **BH/12/2020 Follow Up of Internal Audit Recommendations – see 2.3 below**

#### **BH/13/2020 Expenditure (Non-Pay) – Significant Assurance**

The objective of this review was to provide assurance that the Trust has a sound system of control surrounding the processes in place to manage non-pay expenditure in respect of Contract/Service Level Agreement Management, petty cash payments and the use of credit/purchasing cards. The review resulted in two Minor recommendations further to tighten petty cash procedures.

#### **BH/14/2020 Organisation Governance Deep Dives – Significant Assurance**

The objective of this review was to gain assurance that the Trust's governance structure adequately supports the achievement of the Trust's objectives whilst complying with regulatory and statutory requirements. The review resulted in four Minor recommendations, scheduled for completion by 31.3.20.

#### **BH/15/2020 Medical Devices – Significant Assurance**

The objective of this review was to provide assurance that the Trust has adequate systems and controls in place for the management of medical devices. The review resulted in four Moderate recommendations addressing centralisation of medical device records and better ensuring training compliance.

#### **BH/16/2020 Regulatory Compliance – Provider Licence – Significant Assurance**

The objective of this review was to provide assurance regarding the Trust's ability to comply with NHS Provider Licence Standard Conditions. The review confirmed that the Trust has systems in place to complete, assess and submit its annual NHS provider licence self-certification confirming that it meets its obligations and complies with governance requirements. The review provided one Moderate and seven Minor recommendations to enhance documentation supporting the self-certification.

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**BH/17/2020 Infection Control – Significant Assurance**

The objective of this review was to provide assurance that effective systems and processes are in place to ensure that staff practice hand hygiene and use personal protective equipment to the expected standard to ensure the safety of patients, staff and visitors.

Based upon the reported findings, and with one Moderate and ten Minor recommendations, the Committee expressed the view that this audit appeared to lie at the boundary between Significant and Limited Assurance.

**BH/18/2020 Statutory Regulation Identification and Compliance Management – Cleaning Standards – Significant Assurance**

The objective of this review was to provide assurance that the Trust has reasonable arrangements in place to achieve sufficient cleaning standards. The review found that system controls are in place to meet those standards. However, some weaknesses were identified, resulting in two Moderate, both relating to training, and one Minor recommendation.

**BH/19/2020 Waste Management – Limited Assurance**

The objective of the review was to provide assurance that the Trust has adequate controls in place for managing waste segregation in line with legislative guidelines. The review represented a further follow-up of an initial review in 2017/18 (BH/17/2018) that gave rise to a No Assurance opinion with seven Major, eight Moderate and two minor recommendations. A follow-up review later in 2017/18 resulted in one Major, three Moderate and two Minor recommendations, with a Limited Assurance opinion. This latest review generated one Major, three Moderate and four Minor recommendations.

The Chief Operating Officer and the Interim Director of Estates & Facilities attended the Committee meeting to discuss the latest audit results and the actions being taken to address the findings and action the agreed recommendations. The Committee acknowledged the improvements made in the last two years and recognised the challenges that, just as others throughout the NHS, the Trust faces, being reliant upon every member of staff to play their part.

**BH/20/2020 Statutory Regulation Identification and Compliance Management – Moving and Handling – Significant Assurance**



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The objective of the review was to provide assurance around the adequacy of internal controls for moving and handling, and of compliance management. The review generated four Moderate recommendations aimed at improving both general compliance and moving and handling induction training.

The Committee considered and approved the deferral into 2020/21 of three Internal Audit reviews planned for the current year, and the splitting of a planned audit into two separate reviews.

The Committee noted the 100% compliance with the agreed Internal Audit reporting key performance indicators, subject to management comments relating to one audit report being delayed due to pressure of work.

### **2.3 Internal Audit Follow-Up Report (BH/12/2020)**

The Committee discussed the latest report showing the status of actions taken and outstanding in respect of agreed internal audit recommendations. The Committee was satisfied with the progress being made.

### **2.4 Internal Audit Charter and Working Together Protocol**

The Committee was informed that the Internal Audit Charter had been subject to its annual review and remained unchanged. The Committee considered the contents of the Charter and was happy to approve it.

The Committee noted the Working Together Protocol which, building upon the Charter, represented an agreement as to the desired working relationship between Internal Audit and executive management.

### **2.5 Counter Fraud Progress Report**

The Committee noted further developments in Counter Fraud activity within the Trust, including closer liaison and cooperation with a wider range of personnel. The Committee concluded that it was reassured by the progress report.

### **2.6 Schedules of Losses and Special Payments**

The Committee queried and noted the content of the schedules.

### **2.7 Single Source Tenders**

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The Committee noted the list of recent single source tenders and was reassured that the tenders were compliant.

## **2.8 Annual Security Report 2018/19**

The Committee noted the report, and that it had previously been reviewed by the Quality Committee.

## **2.9 Standing Financial Instructions**

The Committee received for information the latest version of the draft revised Standing Financial Instructions. The proposed revised Standing Financial Instructions will be presented to the Committee at its February meeting with a view to the Committee recommending Board approval at the March Board meeting.

## **2.10 Reservation of Powers to the Board and Scheme of Delegation**

As for the draft Standing Financial Instructions above, the Committee received for information the latest version of the draft Reservation of Powers to the Board and Scheme of Delegation. The proposed revised version will be presented at the Committee's February meeting, with the aim of recommending Board Approval in March.

## **2.11 Accounting Standards (latest developments): IFRS16**

The Committee received a report regarding progress in preparing for compliance with International Financial Reporting Standard (IFRS)16 which will require a change to the accounting treatment of leases in the Trust's financial statements. The Committee noted the level of effort, both from financial management and from scarce specialists, that will be required in order to prepare for compliance with the new Standard.

## **2.12 ISA260 – Charitable Funds**

The Committee received the external auditor's report arising from its audit of the 2018/19 Charitable Fund accounts. The Committee was pleased to note that no issues had been identified in respect of the Significant Audit Risks and that the external auditors would be issuing an unmodified audit report on the financial statements.

## **2.13 Charitable Funds Annual Report and Accounts 2018/19**

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The Committee considered the Report and Accounts and determined that it could recommend approval of the accounts to the Trust Board, as Corporate Trustee.

#### **2.14 Board Assurance Framework (BAF) and Strategic Risk Register (SRR)**

The Committee recognised that the versions of the BAF and SRR currently available to it had already been subject to Board scrutiny and discussion and so they were not further considered.

#### **2.15 Oversight of Board Committees**

The Committee reflected upon the revised terms of reference of the Board Committees adopted during 2019 and, in particular, the 'Appendix 1' attached to each set of terms of reference. The Committee noted the reports from each other Board Committee attached to the paper presented at this Committee meeting and agreed that further work was required more fully to populate these progress reports. The Committee noted that, at its meeting in February, it will receive, consider and 'read across' the first annual detailed reports from each of the other Board Committees providing commentary, reassurance and assurance regarding each aspect specified in Appendix 1 of their respective terms of reference.

#### **2.16 CQC Compliance**

The Committee received and noted the assurance reviews and outcomes of the CQC compliance actions, recommendations and opportunities as approved by the Quality Committee during its October meeting.

#### **2.17 Draft Audit & Assurance Committee Annual Report to Board 2018/19**

The draft report prepared by the Committee Chairman was shared with the other Committee members for comment and approval. Subject to that approval being provided outside of the meeting, the Report will be presented to the Trust Board for approval at its January meeting.

#### **2.18 Data Quality Assurance**

The Head of Business Intelligence attended the meeting to present a report providing further assurance regarding both the status of, and controls to ensure and improve, data quality within the Trust.

#### **2.19 Audit Committee Annual Self Assessment 2019**

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The Committee Chairman reported that the Committee had completed its annual self assessment utilising the checklists provided in the HFMA Audit Committee Handbook, 4<sup>th</sup> edition. The self assessment had confirmed that the Committee fully complies with established standards. In striving to maintain and further improve its performance, the Committee singled out gaining further assurance regarding data quality as an area of focus.

## **2.20 Regulatory Compliance**

The Committee discussed the paper provided. In the absence of the Director of Governance and Corporate Affairs, the Committee requested that this matter be revisited at the February meeting, with a view to obtaining assurance both that the Trust's policies and procedures are compliant and that Trust staff comply with policies and procedures.

## **2.21 Business Continuity Update: Emergency Preparedness Resilience & Response (EPRR)**

The Committee was of the view that the report presented did not provide adequate evidence to support the EPRR submission to NHSI at 31 October 2019. The Committee requested that the Quality Committee revisit this matter at its January meeting, with an updated report being presented to the Audit & Assurance Committee at its February meeting.

## **3. Other matters**

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

None.

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

None.

## **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 – Audit & Assurance Committee