

Meeting Title	Board of Directors		
Date	9.7.20	Agenda item	Bo.7.20.23

REPORT FROM THE AUDIT & ASSURANCE COMMITTEE MEETING 10th and 16th June 2020

Presented by	Matthew Horner, Director of Finance		
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 10 and 16 June 2020		
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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Report of the Audit & Assurance Committee to Board, 9 July 2020

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 10 and 16 June 2020.

2	BACKGROUND/CONTEXT
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The agendas of the meetings held on 10 and 16 June were 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:

10 June

- Appointment of External Auditor
- Change in requirements regarding Quality Report 2019/20
- Internal Audit Progress Report
- Follow Up on Internal Audit Recommendations
- Draft Internal Audit Operational Plan 2020/21
- Draft Internal Audit Annual Report 2019/20 and Draft Head of Internal Audit Opinion 2019/20
- Draft Counter Fraud Work Plan 2020/21
- Counter Fraud Progress Report
- Annual Counter Fraud Report 2019/20 (incorporating Counter Fraud Self Review Tool)
- BTHFT Annual Accounts 2019/20
- Exception Reports: Schedules of Losses and Special Payments
- Board Assurance Framework and Strategic Risk Register
- Board Committee Oversight: Governance and Process
- April 2020 Care Quality Commission (CQC) Good rating
- BTHFT Draft Annual Report 2019/20
- The High Priority Audit Programme Plan 2020/21: Responding to National Mandated HQIP Audit Programme
- Self Certification with regard to the Provider Licence
- Business Continuity Update
- Draft Annual Governance Statement 2019/20
- Audit & Assurance Committee Workplan 2020/21

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16 June

- Final Internal Audit Annual Report 2019/20 and Head of Internal Audit Opinion 2019/20
- ISA 260 Report – External Audit communication with those charged with governance, re 2019/20
- Final BTHFT Annual Accounts 2019/20
- Draft Letter of Representation 2019/20
- BTHFT Annual Report 2019/20
- Covid-19 Governance Assurance Checklist

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, 9 July 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 meetings held on 10 and 16 June 2020.

2. Key Matters discussed

10 June

- **Appointment of External Auditor**

The Committee noted the reappointment of Deloitte to act as the Trust's External Auditor for the period 2020/21 to 2022/23, with a possible extension to 2024/25.

- **Change in requirements regarding Quality Report 2019/20**

The Committee noted that, due to Covid-19, the timetable for the completion of the Trust's Quality Report 2019/20 had been amended, with the Report not now due for submission until December 2020.

- **Internal Audit Progress Report**

The Committee discussed Internal Audit's latest progress report and the assurance that it provided.

The Committee discussed and approved the deferral into 2020/21 of four audit reviews originally scheduled to be completed during 2019/20.

The Committee noted the completion of six audits, one carrying a High Assurance assessment (Management of Patient Flow – Integrated Discharge Hub), and five carrying Significant Assurance ratings (IT Sustainability/'Green' Computing; Data Security Protection Toolkit: Gap Analysis; Venous Thromboembolism (VTE) Assessments; Joint Venture Partnership – Pathology; Financial Transactions)

It was agreed to revisit Internal Audit progress at the 16 June meeting by which time the reports relating to the final eight 2019/20 audit reviews would be finalised.

- **Follow Up on Internal Audit Recommendations**

The Committee noted the continuing good performance by executive management in addressing Internal Audit recommendations in a timely manner. Internal Audit agreed to pursue with management the very few long outstanding

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recommendations, either to clear them or determine that they were no longer relevant.

- **Draft Internal Audit Operational Plan 2020/21**

Further to the Committee considering the draft Plan at its February meeting, coupled with the further information and reassurances now provided by Internal Audit, the Committee approved the 2020/21 Plan.

The Committee noted that the Plan must respond to in-year events, with any amendments to the Plan being pre-approved by the Committee.

- **Draft Internal Audit Annual Report 2019/20 and Draft Head of Internal Audit Opinion 2019/20**

The Committee noted these draft documents and would review them in final form at the 16 June meeting.

- **Draft Counter Fraud Work Plan 2020/21**

The Committee considered, discussed and approved the Plan.

- **Counter Fraud Progress Report**

The Committee considered, discussed and noted the Progress Report which included an explanation of how the Counter Fraud Team was responding to fraud risks arising from or heightened by the Covid-19 pandemic.

- **Annual Counter Fraud Report 2019/20 (incorporating Counter Fraud Self Review Tool)**

The Committee noted the report setting out the counter fraud work undertaken at BTHFT during 2019/20.

- **BTHFT Annual Accounts 2019/20**

The Committee members reflected upon their review of the accounts in early May, the analytical review meeting that they held with senior Finance personnel and the further explanations provided by Finance as a result.

The Committee awaited External Audit's ISA260 report, to be discussed at the 16 June meeting.

- **Exception Reports: Schedules of Losses and Special Payments**

The Committee noted the reports.

The Committee expressed concern that the value of invoices raised in respect of overseas visitors receiving treatment was higher than in previous years and with a lower rate of debt recovery.

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

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The Committee noted that, due to the Covid-19-related suspension of Board Committee meetings, Board Committees had last scrutinised their allocated elements of the BAF and SRR in March, being earlier versions of the BAF and SRR now presented to the Audit & Assurance Committee.

The Committee further noted that, due to the suspension of Board Committee meetings, it had not received from other Board Committees the annual assurance reports now stipulated in revised Board Committee terms of reference.

The Committee further noted that the BAF and SRR now presented to it had been subject to executive and non-executive director scrutiny prior to the 27 May Board meeting, and to limited discussion in that meeting.

The Committee noted that some aspects of the latest BAF still appeared potentially under-populated, particularly in respect of 'gaps in controls' and 'gaps in assurance'. The Committee noted the outstanding action on the Committee's action log for further scrutiny, and potential improvement, of the BAF by executive management and other Board Committees.

In view of the limited assurance available, the Committee noted but did not approve the latest versions of the BAF and SRR. It noted the revised governance processes put in place in response to Covid-19. It noted the risk appetite framework considered and approved by the Board in March.

- **Board Committee Oversight: Governance and Process**

The Committee noted that meetings of the Quality, Finance & Performance, Workforce, Partnerships and Integrated Governance & Risk Committees had been suspended prior to their respective March meetings, in response to Covid-19. The next meetings of these Committees were scheduled for late July.

The Committee noted that, in the absence of Board Committee meetings, Regulation Committee meetings and the 27 May limited Board meeting had provided limited scrutiny and assurance.

The Committee concluded that current governance arrangements provided assurance limited compared to pre-Covid conditions and arrangements, but that this seemed to be a pragmatic and justifiable approach. The Committee welcomed the planned return of other Board Committee meetings in July.

The Committee concluded that it was unable to provide persuasive assurance to the Board that the Covid-related revised governance arrangements are operating effectively.

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The Committee noted that other Board Committees would be producing their 2019/20 annual assurance reports for consideration at the 9 July Board Meeting. However the Committees were not scheduled formally to meet until late July and, furthermore, these meetings fell after the next meeting of the Audit & Assurance Committee (28 July).

[Note: the Covid-19 Governance Assurance Checklist provided to the Committee under Any Other Business at the 16 June meeting (see below) provides some additional assurance.]

- **April 2020 Care Quality Commission (CQC) Good rating**

The Committee noted the good news that the Trust has received an overall Good rating as a result of the recent CQC review.

The Committee noted that the CQC reports and related planning documents had been subject to scrutiny and discussion prior to and at the April Regulation Committee meeting and the 27 May Board meeting.

The Committee looked forward to receiving reports showing progress in respect of the Must Do and Should Do items.

The Committee was reassured that recommendations in the Use of Resources report will be built into management actions.

- **BTHFT Draft Annual Report 2019/20**

The Committee noted the extensive review process to which the draft Report had been subjected involving executive management, other non-executive directors, the Trust Chairman, External Auditors and members of the Audit & Assurance Committee.

The Committee undertook to complete its consideration of the draft report at 16 June meeting.

- **The High Priority Audit Programme Plan 2020/21: Responding to National Mandated HQIP Audit Programme**

The Committee noted that the Plan had already been approved by the Clinical Audit & Effectiveness Committee and by the Quality Committee. The Committee noted the report.

- **Self Certification with regard to the Provider Licence**

The Committee noted the report, which had already been approved by the Executive Management Team and by the Trust Board.

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- **Business Continuity Update**

The Committee noted the paper providing an operational plan for a structured approach to business continuity risks arising from the Covid-19 pandemic.

- **Draft Annual Governance Statement 2019/20**

The Trust Chief Executive, as Trust Accounting Officer, joined the meeting to provide an overview of the key elements of the draft Statement. This, together with members' prior review of the draft, enabled the Committee to approve the Statement, subject to finalisation of the Head of Internal Audit Opinion at the 16 June Committee meeting.

- **Audit & Assurance Committee Workplan 2020/21**

Earlier in 2020 the Committee had considered its terms of reference in the light of current best practice and determined its 2019/20 Workplan to be complete. In the absence of any required changes being identified, the Committee approved the carry forward of the 2019/20 Workplan to be the 2020/21 plan.

16 June

- **Final Internal Audit Annual Report 2019/20 and Head of Internal Audit Opinion 2019/20**

As an update to the report of progress against the 2019/20 Internal Audit Plan provided to the 10 June Committee meeting, Internal Audit reported that seven of the outstanding eight audit reviews had now been completed. Two reviews had generated High Assurance (Cyber Security; Budgetary Control – Financial Planning), four reviews had generated Significant Assurance (Payroll; Board Assurance Framework & Risk Management Framework; Digital Strategy; Policy Management), one review had delivered Limited Assurance (Nursing Assessments and Care Plans). One review was yet to be finalised with senior management (Ambulance Handovers). All of these review results will be considered by the Committee at its 28 July meeting.

The Committee noted that audits during the year have resulted in 7 High Assurance opinions, 32 Significant Assurance opinions and only 3 Limited Assurance opinions (Waste Management; Information Asset Register; Nursing Assessments and Care Plans). All 152 recommendations made by Internal Audit had been accepted by management. The Committee noted once again that there is a healthy follow-up tracking process to ensure that Internal Audit recommendations are actioned.

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The Committee approved the Internal Audit Annual Report and expressed its gratitude to Internal Audit staff for their work during the year, particularly in completing the annual plan during Covid-19 restrictions.

Based upon the Internal Audit Annual Report, the Committee concluded that it was satisfied with the Head of Internal Audit Opinion (which forms part of the Annual Governance Statement in the Trust's Annual Report 19/20).

- **ISA 260 Report – External Audit communication with those charged with governance, re 2019/20**

The Committee congratulated the representatives of Deloitte on their firm's reappointment as External Auditor to the Trust.

The Committee noted that External Audit work was substantially complete and that the auditors would issue an unmodified audit opinion. Furthermore, the auditors would not be reporting any matters relating to the Trust's arrangements for securing the economy, efficiency and effectiveness of the use of resources.

The Committee noted that the auditors were content (subject to a few minor final changes) with the Annual Report 2019/20 and the Annual Governance Statement 2019/20.

Discussion focused on the three significant audit risks identified by the auditors:

- Accounting for the discontinuation of the development of a subsidiary company. Audit work revealed no significant matters to report. This would be flagged as a 'key audit matter' in the audit report.
- Property valuations. The uncertainties arising from Covid-19 have led the RICS and valuers to express "a material valuation uncertainty". The auditors pointed out that we are no different in this to other trusts. Our property valuation on our balance sheet had not been affected. This did not constitute an audit qualification of the Trust's accounts: it would only be flagged as a 'key audit matter' in the audit report.
- Management override of controls. This is a mandatory audit risk on all statutory audits: management are in a position to influence final accounts. External Audit had found no evidence of management bias applied to the accounts, and indeed no audit misstatements.

The Committee noted that, due to Covid-19- related restrictions, the Trust's external auditors are not required to perform their normal mandatory review of the Trust's Quality Report/Account. The Committee recommended that, in the first instance, the Quality Committee give consideration as to whether the Trust

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should voluntarily acquire external assurance regarding the Quality Report/Account, whether from Deloitte or elsewhere.

The Committee accepted the ISA260 report and thanked Deloitte's representatives for their work, particularly given the need to audit remotely due to Covid-19 restrictions.

- **Final BTHFT Annual Accounts 2019/20**

Following the Committee's earlier scrutiny and consideration of the accounts, and now the receipt of the external audit opinion, the Committee resolved to recommend to the Board that the accounts be approved and signed.

- **Draft Letter of Representation 2019/20**

The Committee noted that the letter was in standard form. The Committee was reassured that the Trust's Director of Finance was satisfied that the Trust's Accounting Officer could justifiably provide the representations as stated.

- **BTHFT Annual Report 2019/20**

Subject to a few remaining minor changes required, in the light of the extensive review process that had been applied, the Committee resolved to recommend Board approval.

- **Under Any Other Business - Covid-19 Governance Assurance Checklist**

The Committee received a Covid-19 Governance Assurance Checklist supplied by Audit Yorkshire, the Trust's Internal Audit provider, and completed by the Trust's Executive Management Team. The checklist provided a basis for self assessment of Corporate Governance, Clinical Governance, Financial Governance, HR Governance and Information Governance under the Covid-19 pandemic. The Committee noted that few gaps requiring mitigating actions had been identified.

3. Other matters

3.1 Private meetings with Internal and External Audit

During 16 June, as is good practice, the members of the Audit & Assurance Committee met privately, and separately, with representatives of the Trust's Internal and External Auditors. Nothing arose during either meeting which is of any concern.

3.2 Matters raised in the meeting to escalate to Corporate Risk Register

None.

3.3 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 Senior
Chairman – Audit & Assurance Committee
30 June 2020