

## AUDIT AND ASSURANCE COMMITTEE MEETING MINUTES

<b>Date:</b>	Tuesday, 16 <sup>th</sup> June 2020.	<b>Time:</b>	13:00-14:00
<b>Venue:</b>	Virtual Meeting	<b>Chair:</b>	Barrie Senior, Non-Executive Director
<b>Present:</b>	<b>Non-Executive Directors:</b> <ul style="list-style-type: none"> <li>- Mr Barrie Senior, Non-Executive Director, Chair (BAS)</li> <li>- Ms Selina Ullah, Non-Executive Director (SU)</li> <li>- Mr Jon Prashar, Non-Executive Director (JP)</li> </ul>		
<b>In Attendance:</b>	<ul style="list-style-type: none"> <li>- Mr Matthew Horner, Director of Finance (MH)</li> <li>- Ms Tanya Claridge, Director of Governance and Corporate Affairs (TC)</li> <li>- Mr Michael Quinlan, Deputy Director of Finance (MQ)</li> <li>- Mr Paul Hewitson, Deloitte (PH)</li> <li>- Mr Nick Rayner, Deloitte (NR)</li> <li>- Ms Helen Kemp-Taylor, Audit Yorkshire (HKT)</li> <li>- Mr Jonathan Hodgson, Audit Yorkshire (JH) Deputising for Karina Rogers</li> <li>- Mr Richard Maw, Counter Fraud, Audit Yorkshire (RM)</li> <li>- Mr Aubrey Sitch, Corporate Compliance Manager, Corporate Governance (AS)</li> <li>- Ms Jacqui Maurice, Head of Corporate Governance</li> </ul>		
<b>Observers</b>	<ul style="list-style-type: none"> <li>- Ms Julie Lawreniuk, Non-Executive Director (JL)</li> </ul>		

No.	Agenda Item	Action
A.6 (2).20.1	<b>Apologies for Absence</b> No apologies were received.	
A.6 (2).20.2	<b>Declarations of Interest</b> There were no declarations of interest noted.	
<b>Section 2: Internal Audit and Counter Fraud</b>		
<b>2a Audit Yorkshire</b>		
A.6 (2).20.3	<b>Internal Audit Annual Report 19/20 &amp; Head of Internal Audit Opinion Final</b> JH asked the Committee to note the final position for 2019/20 regarding audits undertaken. Further to the AAC meeting held on 10 June, the final report concluded that 46 out of 47 reports had been finalised. The outstanding report related to Ambulance Handovers which was due to be confirmed shortly with the Chief Operating Officer. The AAC noted that a total of 152 recommendations had been made overall all of which were accepted by management. JH drew particular attention to appendix three which had been updated since the meeting held on 10 June with regard to the reports recently finalised and other reports finalised in year.  HKT confirmed the statement presented at the previous meeting on 10 June where she confirmed that the Head of Internal Audit Opinion is based on work completed in year. HKT highlighted that the individual audits completed along with the follow up of all recommendations support the opinion reached. They provided sufficient evidence to support an opinion of	

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	<p>'significant assurance', as presented at Audit Committee on the 10<sup>th</sup> of June. HKT drew attention to the three limited assurance reports; Waste Management, Information Asset Register and, Nursing Assessments and Care Plans.</p> <p>BAS reminded the Committee that it had not yet had the opportunity to consider in detail the Nursing Assessments and Care Plans limited assurance report. BAS requested that the Chief Nurse and Chief Digital and Information Officer attend the AAC scheduled for 28 July 2020. <u>(Action logged below under agenda item A.6 (2).20.16 Items deferred to future meetings)</u></p> <p>HKT commended the achievement of a 'significant assurance rating' for the Head of Internal Audit Opinion report to the Audit Committee adding that it had been a significant achievement considering the distractions with regard to the pandemic that have affected the Trust. HKT asked to be placed on record her thanks to the Trust for its engagement with Audit Yorkshire.</p> <p>The Committee members commented on the fantastic efforts of the Trust and added their thanks for those efforts. In response to the proposal from BAS, the AAC approved the annual report and formally received the Head of Internal Audit Opinion.</p>	
<b>Section 3: External Audit</b>		
<b>3a Deloitte</b>		
A.6 (2).20.4	<p><b>ISA 260 – Foundation Trust</b></p> <p>PH reported that audit work was substantially complete with the only significant outstanding items being the review of going concern and the receipt of the management representation letter.</p> <p>PH stated that based on the current status of the audit work and, subject to the closure of any outstanding points, he envisaged that the Trust would receive an 'unmodified audit opinion'; making reference to the material uncertainty around Covid-19. PH stressed that the material uncertainty was not a qualification, and asked the Committee to note that all audit reports he was signing have the same statement included.</p> <p>PH drew attention to the summary provided with regard to the work undertaken in relation to 'financial sustainability' and, 'value for money'. The external auditor was satisfied that there were no risks and no reportable issues connected to financial sustainability and value for money and the report fairly reflected the underlying position of the Trust.</p> <p>PH referred to page 6 of the ISA260 report, and the inclusion of a new item related to 'key indicators on the timeliness and quality of the financial information' seeking to provide greater insight on how well the audit has gone and also how the Finance Team responded. PH provided positive comments on working with the Finance Team particularly in light of the pandemic. The Committee noted that whilst the majority of information was provided in time, there were some requests which Deloitte had waited for. PH notified the Committee that there may be some cost implications due to those delays. PH referred to the 'volume and magnitude of identified errors' advising that hardly anything had been identified in this audit which was quite impressive and, factoring out the delays, the audit had gone smoothly.</p>	

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	<p>NR referenced the three significant risks addressed by the audit and included within the report;</p> <ul style="list-style-type: none"> <li>Accounting for the discontinuation of the subsidiary,</li> <li>The property valuation in relation to the Covid-19, and</li> <li>Management override controls which is significant risk that is always present as required under the Auditing Standards.</li> </ul> <p>NR stated that the decision not to proceed with the subsidiary meant that various transactions that had been put through in 2019/20 needed to be reversed out and there was a need to ensure that all the adjustments were reversed correctly.</p> <p>NR advised that they had reviewed the valuation report and the assumptions that underpinned the valuer's opinions. Whilst they had a few minor comments they did not find any issues with regard to significant risk. The main impact of this is reflected as a key audit matter. It was also noted that there were a few control points raised.</p> <p>The Committee noted the following with regard to key areas:</p> <ul style="list-style-type: none"> <li>Management override of controls - from the testing undertaken there were no issues, except one comment on controls.</li> <li>'Value for money'; the external auditor found no significant risks.</li> <li>'control deficiencies'; NR referred to the nil netbook value assets sitting on the Trust's asset register and the work undertaken by the Trust in the past year to improve the situation. This work showed that some of the assets which had been written off during the year had been left on the asset register due to a lack of formal communication between the department which held the asset and the Finance Team. NR stated that the recommendation is to ensure that there is a more formalised process to make sure that departments are notifying Finance when the assets are disposed of.</li> <li>'Revaluations' and the need for a formalisation of the process regarding the assumptions made by the valuer to ensure that the information is accurate.</li> <li>'Deferred income'; this had taken a while to test due to projects not always having the correct project code.</li> <li>'Oracle' with the potential for staff to prepare and approve their own journals creating a potential for fraud. Whilst a manual process is in place for approval by the appropriate manager, this was not best practice and there was a need to ensure formal segregation of duties.</li> <li>'Related parties disclosures', whereby the external audit had sought to ensure that all of the interests disclosed in the Directors Register of Interests are considered as part of the preparation of the financial statements process.</li> </ul> <p>BAS referred to page 17 and the recommendations made with regard to IT. He stated that he was concerned to see that there was no third party audit report returned from Cerner. NR confirmed that it did not have a major impact on the external audit however it was something that in his opinion the Trust should have. MH confirmed that he would give some thought to talking with Cerner and obtaining a third party Service Auditor Report. It was determined that it would be appropriate for this to be reviewed by the Finance and Performance Committee. <u>(Action logged in relation to 'Matters to share with other committees under agenda item A.6 (2).20.13)</u></p> <p>PH referred to the appendices. The Committee noted the following:</p>	<p>Director of Finance</p>

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	<ul style="list-style-type: none"> <li>The further detail provided on how the 'value for money' element would change in terms of audit focus. This was the last year that required a short form comment. In the future, a more detailed review would be required.</li> <li>Quality Accounts. There remained a requirement for the Trust to submit a Quality Account later in the year however without external audit assurance. It was agreed that an assurance report regarding the production and submission of the Quality Account would be presented to the committee at the July meeting.</li> </ul> <p>PH drew attention to independence and fees documented on page 37 and the delays in the audit that have resulted in additional costs being incurred. Once all the details are collated, Deloitte will be seeking a conversation with the Trust to agree the additional work undertaken in particular with regard to 'going concern'. BAS commented on the potential for savings with regard to travel costs this year due to elements of the audit undertaken at a distance and so hoped that these would factor into discussions regarding the final costs. MH advised that this would be picked up at the debrief meeting regarding this work which would take place between PH, NR and the finance team.</p> <p>BAS thanked PH and NR for their report. The committee approved the ISA 260</p>	
<b>3b Foundation Trust responses (by Exception)</b>		
<b>A.6 (2).20.5</b>	<b>Use of external audit to provide non-audit services.</b> There were no items to report.	
<b>Section 4: Foundation Trust</b>		
<b>4a Is Financial Governance and its associated controls effective?</b>		
<b>A.6 (2).20.6</b>	<b>Final Annual Accounts 2019/20</b> BAS queried if there have been any changes to the accounts since the meeting held on 10 June. MQ stated that they have made all the changes recommended by the external auditor. There was one key change around IFRS16 that was brought to the Committee's attention.  The Committee confirmed that it recommends approval of the Accounts 2019/20 to the Board of Directors.	
<b>A.6 (2).20.7</b>	<b>Draft Letter of Representation 2019/20</b> The Committee noted that MH was content to recommend to Mel Pickup, Chief Executive Officer, that she signs the letter of representation.  The Committee confirmed its recommendation to the Board to sign the letter of representation.	
<b>A.6 (2).20.8</b>	<b>Standing Orders proposed changes (standing item)</b> There was nothing noted under this item.	
<b>A.6 (2).20.9</b>	<b>Suspension of Standing Orders/Standing Financial Instructions (standing item)</b> There was nothing noted under this item.	

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A.6 (2).20.10	<b>Other assurance functions</b> ( <i>standing item</i> ) There was nothing noted under this item.	
<b>4b Are specific governance control systems effective? (Work plan items)</b>		
	There was nothing to report under this item.	
<b>4c Corporate Governance</b>		
A.6 (2).20.11	<b>Draft Annual Report/Quality Report 2019/20</b> TC reported that version 12 of the annual report has now been uploaded to Diligent and there were a few minor amends that would be captured in version 13, the final version of the report. These would be finalised by the next day (17 June). BAS proposed that recognising the minor changes required, and subject to the conclusion of those statements the Committee recommendation to the Board would be to approve the Annual Report.	
<b>Section 5: Audit and Assurance Committee Governance</b>		
A.6 (2).20.12	<b>Any Other Business</b> <ul style="list-style-type: none"> <li><u>Audit Yorkshire Governance Assurance Check List</u> - MH asked the committee to note the governance assurance check list provided by Audit Yorkshire and completed by senior management. He advised that the Audit Yorkshire Governance Assurance Check List and key lines of enquiry had been shared with executive colleagues who had provided responses regarding assurance around those key lines of enquiry. The domains covered included; Corporate Governance, Clinical Governance, Financial Governance, HR and Information Governance. MH asked the committee to note that it is a work in progress and will continue to be refined and it has proved a particularly useful tool. The committee was asked to note that this would be presented to the Board in July.</li> <li><u>PSF Mechanisms</u> – PH stated that he had been approached by another auditor seeking information on adjustments or changes to the accounts proposed regarding STP funding. MH stated that he would be content for this information to be shared.</li> </ul>	Director of Finance
A.6 (2).20.13	<b>Matters to share with the other committees</b> The finance and performance committee to consider the benchmarking information within ISA 260 that Deloitte have provided and, for MH to discuss with Cerner about obtaining a third party Service Auditor Report. It was determined that it would be appropriate for this to be reviewed by the Finance and Performance Committee in addition to the Audit & Assurance Committee.	Director of Finance
A.6 (2).20.14	<b>Matters to escalate to Strategic Risk Register</b> Nothing to report.	
A.6 (2).20.15	<b>Matters to escalate to the Board of Directors</b> BAS to provide a number of points of assurance with regard to the ISA 260, Accounts and Annual Report to the Board meeting on the 17 June 2020.	AAC Chair
A.6 (2).20.16	<b>Items deferred to subsequent meetings</b> The Chief Nurse and Chief Digital and Information Officer would be invited to attend the meeting scheduled for 28 July to discuss with the Committee the limited assurance report on Nursing Assessments and Care Plans	Director of Governance and Corporate Affairs
A.6 (2).20.17	<b>Attendees for subsequent Audit Committee meetings</b>	

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	Karen Dawber, Chief Nurse and Cindy Fedell, Chief Digital and Information Officer will be invited to attend the July meeting. <u>(see action for the previous item.)</u>	
A.6 (2).20.18	<b>Review of meeting</b> The participants were satisfied with the meeting.	
A.6 (2).20.19	<b>Date and time of next meeting:</b> Tuesday 28 July 2020, 2-5pm Virtual meeting via Webex	

**ACTIONS FROM AUDIT AND ASSURANCE COMMITTEE MEETING Held 16 JUNE 2020**  
(previous actions included on minutes from meeting held 10 June 2020)

Action ID	Agenda Item	Required Action	Lead	Timescale	Comments/Progress
A20213	<b>A.6 (2).20.4</b>	<b>Assurance for Quality Report</b> An assurance report regarding the production and submission of the Quality Account would be presented to the AAC at the July meeting.	Director of Governance and Corporate Affairs	AAC 28 July 2020	Included on the agenda. <u>Action completed.</u>
A20214	<b>A.6 (2).20.4</b>	<b>ISA 260 – Foundation Trust</b> MH confirmed that he would give some thought to talking with Cerner and obtaining a third party Service Auditor Report. It was determined that it would be appropriate for this to be reviewed by the Finance and Performance Committee.	Director of Finance	AAC 28 July 2020	MH to share the Cerner SAR report with the AAC.
A20215	<b>A.6 (2).20.12</b>	<b>Any Other Business</b> Audit Yorkshire Governance Assurance Check List: To be presented to the Board in July.	Director of Finance	Board of Directors 9 July 2020	Presented at Board of Directors. <u>Action completed.</u>
A20216	<b>A.6 (2).20.13</b>	<b>Matters to share with the other committees</b> The finance and performance committee to consider the benchmarking information within ISA 260 that Deloitte have provided and, for MH to discuss with Cerner about obtaining a third party Service Auditor Report. It was determined that it would be appropriate for this to be reviewed by the Finance and Performance Committee.	Director of Finance	F&P Committee 30 September 2020	
A20217	<b>A.6 (2).20.15</b>	<b>Matters to escalate to the Board of Directors</b> BAS to provide a number of points of assurance with regard to the ISA 260, Accounts and Annual Report to the Board meeting on the 17 June 2020.	AAC Chair	Closed Board of Directors 18 June 2020	BAS reported to Board as required. <u>Action completed.</u>

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A20218	<b>A.6 (2).20.16</b>	<b>Items deferred to subsequent meetings</b> The Chief Nurse and Chief Digital and Information Officer would be invited to attend the meeting scheduled for 28 July to discuss with the Committee the limited assurance report on Nursing Assessments and Care Plans.	Director of Governance and Corporate Affairs	AAC 28 July 2020	Attendance confirmed. <u>Action completed.</u>