

Meeting Title	Board of Directors		
Date	22 July 2021	Agenda item	Bo.7.21.15

REPORT FROM THE AUDIT COMMITTEE, 22 JULY 2021

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 Committee meetings on 3 and 8 June 2021		
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	
	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 type="checkbox"/>	<input checked="" type="checkbox"/>

Meeting Title	Board of Directors		
Date	22 July 2021	Agenda item	Bo.7.21.15

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: Choose an item.
Care Quality Commission Fundamental Standard: Choose an item.
Other (please state):

Relevance to other Board of Director's Committee: (please select all that apply)				
People	Quality	Finance & Performance	Partnerships	Other (please state) Regulation & Assurance Committee
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Meeting Title	Board of Directors		
Date	22 July 2021	Agenda item	Bo.7.21.15

Report of the Audit Committee to Board, 22 July 2021

1 PURPOSE/ AIM

To provide an update regarding key matters covered in and relating to the Audit Committee meetings on 3 and 8 June 2021.

2 BACKGROUND/CONTEXT

The agendas of the meetings held on 3 and 8 June were driven by the 2021/22 Audit Committee Annual Workplan.

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

3 June

- External Audit Report ISA 260 – ‘Communication with those charged with governance’ – draft
- Internal Audit Progress Report
- Follow-up of Internal Audit Recommendations
- Annual Head of Internal Audit Opinion – draft
- Counter Fraud Progress Report
- Trust Annual Accounts 2020/21
- Exception Reports: Schedule of losses and special payments
- Board Assurance Framework (BAF) and Strategic Risk Register (SRR)
- Assurance regarding the Electronic Patient Record (EPR) system
- Cyber Security Update
- Data Quality (DQ) Assurance
- Freedom To Speak Up (FTSU) Annual Report 2020/21
- Trust Annual Report 2020/21 – draft
- Trust Annual Governance Statement 2020/21 (AGS)
- Production of Quality Account 2020/21

8 June

- Annual Head of Internal Audit Opinion - final
- External Audit Report ISA 260 – ‘Communication with those charged with governance’ – update
- Final Trust Annual Accounts 2020/21
- Draft Letter of Representation 2020/21
- Trust Annual Report 2020/21 - final

3 RECOMMENDATIONS

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

Meeting Title	Board of Directors		
Date	22 July 2021	Agenda item	Bo.7.21.15

4	APPENDIX
---	----------

Report included overleaf

Meeting Title	Board of Directors		
Date	22 July 2021	Agenda item	Bo.7.21.15

Audit Committee Report to the Board, 22 July 2021

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 Committee meetings held on 3 and 8 June 2021.

2. Key Matters discussed

3 June

- External Audit Report ISA 260 – ‘Communication with those charged with governance’ – draft

The Committee received a report from the External Auditors regarding the progress of the audit of the Trust’s report and accounts for the year ending 31 March 2021.

At this stage an extensive list of items was still outstanding, but the auditors were reasonably confident that most if not all items would be finalised by the time of the 8 June Audit Committee meeting.

The most significant outstanding item was critical judgements regarding the use of vesting certificates relating to fixed asset acquisitions.

- Internal Audit Progress Report

Internal Audit reported that a further 11 audit reports had been completed since the April Audit Committee meeting, thus completing the revised Internal Audit Plan 2020/21:

- BH/17/2021 - Financial Transactions – Significant Assurance
The objective of the audit was to provide assurance regarding the operation of the Trust’s financial transaction systems. Only two minor recommendations were raised.
- BH/18/2021 - Data Security and Protection (DSP) Toolkit Independent Assessment Phase 1 – Medium Assurance (assurance terminology used with the DSP Toolkit)
The objectives of the audit were to satisfy the annual requirement for an independent assessment of the Trust’s DSP Toolkit submission and to identify and help to address data security and data protection risks and identify opportunities for improvement.
The review found an overall medium level of risk relating to the confidentiality, integrity and availability of the Trust’s data assets. Robust policies and procedures were seen to be in place, however some shortcomings in the standard of confirmatory evidence prevented a high assurance level being granted. Appropriate actions were planned to rectify this.
(See BH/25/2021 below – Phase 2 of this assessment)
- BH/19/2021 - Estates Procurement – Significant Assurance

Meeting Title	Board of Directors		
Date	22 July 2021	Agenda item	Bo.7.21.15

The aim of this review was to provide assurance that controls are in place to manage Estates Procurement activities and ensure compliance with the Trust's Standing Financial Instructions.

One moderate recommendation was generated, and agreed for completion by 30 June.

- BH/20/2021 – Board Assurance Framework (BAF) – Significant Assurance
The aim of the review was to gain assurance that the BAF is fit for purpose, regularly reviewed, updated and is being effectively utilised by the Board. The review confirmed that the BAF aligned with good practice guidance, with improvements in completeness having been made during 2020/21. However minutes of the Executive Team Meeting (ETM) and the Regulation & Assurance Committee provided limited evidence of thorough review of the BAF, albeit with some improvement during Q4 of 2020/21.
The review generated two moderate and three minor recommendations covering:
 - Delivering annual risk management training for the Board
 - Ensuring the completeness of identified gaps in assurance and controls and the development and execution of related actions
 - Strengthening the requirement for the ETM to review the BAF and Strategic Risk Register
 - Performing a robust review of controls and assurances
 - Ensuring the systems in place for reviewing and assessing the BAF are clearly documented and evidenced.
- BH/21/2021 – Treasury/Cash Flow Management – Significant Assurance
The review was designed to provide assurance that the Trust's Treasury and Cash Management arrangements contain effective support systems and processes for monitoring and managing cash flow and working capital. The review resulted in one minor recommendation.
- BH/22/2021 – Payroll – Significant Assurance
The objective of the review was to provide assurance that there are adequate controls to ensure the proper administration of payroll information. The review generated one moderate and five minor recommendations which, in the opinion of the Committee, did not materially detract from the significant assurance provided by the review.
- BH/23/2021 – Waste Management Follow-Up – Significant Assurance
The purpose of the review was to assess progress made in implementing the recommendations agreed in a prior review.
This review found that eight out of nine previous recommendations had been fully acted upon. The ninth was well progressed and due for early completion. The review generated one new minor recommendation.
- BH/24/2021 – Follow Up of Internal Audit Recommendations – see below
- BH/25/2021 – Data Security and Protection Toolkit Independent Assessment – Phase 2 – Medium Assurance
This review reaffirmed the findings of the Phase 1 review (see BH/18/2021 above).

Meeting Title	Board of Directors		
Date	22 July 2021	Agenda item	Bo.7.21.15

-
- BH/26/2021 – Business Cases: Pre and Post Implementation Controls – Significant Assurance
The objective of this review was to provide assurance that the Trust has robust arrangements in place for the pre and post approval of business cases. The review generated two moderate and one minor recommendation. The former two both related to procedures consciously suspended due to Covid-related pressures.
 - BH/27/2021 – Data Quality of Referral To Treatment (RTT) and External Data Submissions – Significant Assurance
The objective of this review was to provide assurance that the Trust has adequate arrangements in place to ensure the comprehensive and accurate capture, validation, upload and reporting of RTT and external data submissions in accordance with NHSE/I guidelines. The review generated one moderate and one minor recommendation.
 - Follow-up of Internal Audit Recommendations
The Committee considered the report provided by Internal Audit as BH/24/2021 and noted the low volume of outstanding recommendations. The Committee sought progress updates at its July meeting regarding two outstanding major recommendations:
 - BH/42/20 – Nursing Assessment and Care Plans (Chief Nurse)
 - BH/48/19 – Asset Management (Chief Operating Officer)
 - Annual Head of Internal Audit Opinion – draft
The Head of Internal Audit highlighted:
 - The approved revision of the 2020/21 Internal Audit Plan, responding to the challenges presented as a result of Covid-19 and reducing the previously planned level of audit activity
 - All of Internal Audit's key performance indicators had been fully met
 - Internal Audit operates in full compliance with Public Sector Internal Audit Standards, as independently verified
 - The audits performed had resulted in four high, 17 significant and only one limited assurance (Asset Utilisation – Endoscopy) opinion.
 - The overall outcome of the 2020/21 Internal Audit activity is Significant Assurance.
 - Counter Fraud Progress Report
The Committee noted the report and, in particular, the release of new Counter Fraud Government Functional Standards to which the Trust must in future comply.
 - Trust Annual Accounts 2020/21
The Committee reflected upon the Committee members' satisfactory review of the draft accounts and discussion with senior Finance personnel in late May. A tracked changes version of the accounts, incorporating subsequent minor changes, would be reviewed by the Committee at its 8 June meeting.
 - Exception Reports: Schedule of losses and special payments
The Committee noted the continued increase in outstanding overseas debts owed to the Trust and that additional resource would be devoted to tackling this issue.

Meeting Title	Board of Directors		
Date	22 July 2021	Agenda item	Bo.7.21.15

The Committee noted the recent increased volume of single tender waivers resulting from the need to proceed urgently ahead of the 'spend it or lose it' 31 March 2021 year end deadline imposed by NHSE. The Committee was reassured that, in each case, full due process had been executed.

- **Board Assurance Framework (BAF) and Strategic Risk Register (SRR)**
The Committee reflected on the now improved content and increased scrutiny of the BAF, and the related SRR, by Executive Management, the Academies, and the Regulation & Assurance Committee (on behalf of the Board).
The Committee noted, and was assured by, the recently completed Internal Audit review and the agreed recommendations therefrom.
- **Assurance regarding the Electronic Patient Record (EPR) system**
The Committee noted the report provided by the Trust's Chief Digital and Information Officer providing reassurance as regards the availability, reliability and security of the Trust's EPR system.
The Committee enquired what assurance is available regarding the processing controls within the EPR and other key Trust applications: how do we know that the applications operate accurately, completely and in an authorised and timely fashion? A report is expected at the July Committee meeting.
- **Cyber Security Update**
The Trust's Chief Digital and Information Officer (CDIO) reassured the Committee that the Trust pays due care and attention to the ever present threat of cyber attack.
He reported that the Trust now has ISO27001 (International Standard for Information Security) and ISB1596 (Secure Email Standard) accreditation.
The CDIO reported that the Trust's transition from Windows 7 to Windows 10 will be completed by 31 August 2021, removing an element of potential, but contained, security exposure.
- **Data Quality (DQ) Assurance**
The Chief Digital and Information Officer presented a paper demonstrating that the Trust continues in its progress towards even greater DQ maturity. Progress is continuing on agreed DQ programmes and actions.
Greater assurance regarding Trust-wide DQ will be provided by the Digital and Data Transformation Committee reporting to the Quality Academy, and to the Finance & Performance Academy and People Academy as appropriate.
- **Freedom To Speak Up (FTSU) Annual Report 2020/21**
The Chief Nurse presented the report. She pointed to the now established team of Guardians and Associates Guardians to whom staff are encouraged to refer any concerns. The report highlighted the types and levels of concern being expressed and how they are dealt with.
- **Trust Annual Report 2020/21 – draft**
The Committee noted the updates made to the draft report beyond the version issued for Director review and comment. The Committee was reassured regarding the process by which the report had been drafted and refined.
- **Trust Annual Governance Statement 2020/21 (AGS)**
The Trust Chief Executive (TCE), in her role as Trust Accounting Officer, attended the meeting to present the AGS 2020/21.

Meeting Title	Board of Directors		
Date	22 July 2021	Agenda item	Bo.7.21.15

The TCE provided a summary of the Trust's governance arrangements, as set out in the AGS, highlighting changes and improvements made during the year against the backdrop of the challenges presented by Covid-19. There were no significant control issues to report, as supported by the Head of Internal Audit Opinion.

The Committee approved the AGS.

- **Production of Quality Account 2020/21**
The Associate Director of Corporate Governance/Board Secretary updated the Committee on the timescales for the production and submission of the Quality Account 2020/21. The Quality Account will be subject to Quality Academy scrutiny, and then presented for Board approval on 22 July and published on 23 July.

8 June

- **Annual Head of Internal Audit Opinion – final**
The Internal Audit Manager, acting on behalf of the Head of Internal Audit, confirmed that the opinion as presented to the Committee on 3 June would be unchanged in its final form. The Committee approved the Annual Head of Internal Audit Opinion.
- **External Audit Report ISA 260 – ‘Communication with those charged with governance’ – update**
The Committee considered a revised version of the ISA260, compared to that seen on 3 June. A number of points highlighted as outstanding on 3 June had since been cleared.
External Audit (EA) confirmed that an unexplained difference still existed with regard to a balance owing between BTHFT and NHSI/E. EA was reasonably confident that the matter would be resolved without there being a residual audit difference and, in any case, the matter fell well short of audit materiality.
The Committee was advised that an audit difference existed with regard to fixed asset additions which BTHFT Finance regarded as pre-year end but External Audit judged otherwise. Based upon the matter falling well below audit materiality and only affecting the balance sheet and not the income and expenditure statement, the Committee accepted Finance's treatment whilst noting External Audit's alternative view.
- **Final Trust Annual Accounts 2020/21**
The Committee had previously reviewed and been satisfied with the accounts, noting changes through tracked changes.
The Committee was satisfied to recommend approval of the accounts to the Trust Board for signature.
- **Draft Letter of Representation 2020/21**
Based upon a review of the draft letter and reassurances from the Finance Director as to its accuracy and completeness, the Committee confirmed its recommendation to the Board that the letter be signed by the Chief Executive, as the Trust Accounting Officer.

Meeting Title	Board of Directors		
Date	22 July 2021	Agenda item	Bo.7.21.15

- Trust Annual Report 2020/21 – final
Based upon earlier review and enquiry, the Committee agreed to recommend Board sign off of the Trust Annual Report 2020/21.

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.

4 Recommendation

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

Barrie Senior
Audit Committee Chairman

14 July 2021