

Meeting Title	Board of Directors		
Date	11 May 2023	Agenda item	Bo.5.23.18

REPORT FROM THE CHAIR OF THE AUDIT COMMITTEE PORT TO BOARD, 11 MAY 2023

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 to Board regarding matters covered in and relating to the Audit Committee meeting held on 18 April 2023		
Key control			
Action required	For assurance		
Previously discussed at/ informed by			
Previously approved at:		Date	
Key Options, Issues and Risks			
See attached report			
Analysis			
See attached report			
Recommendation			
The Board is asked to note and derive assurance from this report.			

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Risk assessment						
Strategic Objective	Appetite (G)					
	Avoid	Minimal	Cautious	Open	Seek	Mature
To provide outstanding care for our patients, delivered with kindness			g			
To deliver our financial plan and key performance targets			g			
To be one of the best NHS employers, prioritising the health and wellbeing of our people and embracing equality, diversity and inclusion					g	
To be a continually learning organisation and recognised as leaders in research, education and innovation				g		
To collaborate effectively with local and regional partners, to reduce health inequalities and achieve shared goals					g	
<i>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.</i>	Low		Moderate	High	Significant	
	Risk (*)					
Explanation of variance from Board of Directors						
Agreed General risk appetite (G)						

Benchmarking implications (see section 4 for details)	Yes	No	N/A
Is there Model Hospital data relevant to the content of this paper?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is there any other national benchmarking data relevant to the content of this paper?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Is the Trust an outlier (positive or negative) for any benchmarking data relevant to the content of this paper?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Risk Implications (see section 5 for details)	Yes	No
High Level Risk Register and / or Board Assurance Framework Amendments	<input type="checkbox"/>	<input type="checkbox"/>
Quality implications	<input type="checkbox"/>	<input type="checkbox"/>
Resource implications	<input type="checkbox"/>	<input type="checkbox"/>
Legal/regulatory implications	<input type="checkbox"/>	<input type="checkbox"/>
Equality Diversity and Inclusion implications	<input type="checkbox"/>	<input type="checkbox"/>
Performance Implications	<input type="checkbox"/>	<input type="checkbox"/>

Regulation, Legislation and Compliance relevance
NHS England: (please tick 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.
NHS England Effective Use of Resources: Choose an item.
Other (please state):

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

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1 PURPOSE/ AIM

To provide an update to Board regarding key matters covered in and relating to the Audit Committee meeting held on 18 April 2023.

2 BACKGROUND/CONTEXT

The agenda of the Audit Committee meeting held on 18 April 2023 was driven by and derived from the 2023/24 Audit Committee Annual Workplan.

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

- External Audit Annual Plan 2022/23
- Limited Assurance Internal Audit Reports:
 - IT systems and software management
 - Safer Procedures: National Safety Standards For Invasive Procedures (NatSSIPs)
- Draft Internal Audit Plan 2023/24
- Internal Audit progress report
- Follow Up of Internal Audit Recommendations
- Counter Fraud Progress Report
- Appropriateness of Single Source Tenders
- IFRS16 – Accounting for leases
- Assurance regarding key IT systems: progress report update
- Policies and procedures for ensuring acceptable key Trust data quality
- Cyber security
- Update on delivery of the Emergency Preparedness & Response (EPRR) 21/22 workplan and NHSE core standards
- Effectiveness of Quality Management System in protecting patient and staff interests
- Assurance regarding compliance with the Risk Management Strategy
- Draft Annual Governance Statement 2022/23
- Compliance with NHS Provider Licence and FT Code of Governance

3 RECOMMENDATIONS

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

4 Appendices

See the attached report

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Audit Committee Report to the Board, 11 May 2023

1. Introduction

The purpose of this paper is to inform the Board of Directors of the key matters discussed and considered, in accordance with the Audit Committee's 2023/24 workplan, during and in relation to the Committee meeting held on 18 April 2023.

2. Key Matters discussed

- **External Audit Annual Plan 2022/23**

External Audit presented and the Committee considered the plan for the upcoming audit in respect of the year ended 31 March 2023. Particular attention was paid to:

- the setting of audit materiality and the threshold for reporting audit related matters to the Committee, both of which are consistent with prior years
- the key risks identified as relevant to the audit:
 - property valuation, in view of a full revaluation exercise being undertaken this year
 - capital expenditure, in view of the substantial capital programme during 2022/23
 - management override of controls, a risk that, in accordance with Auditing Standards, has to be considered on every audit
- 'Value for money' audit work required to consider and assess the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources
- Ensuring compliance with IFRS16, taking effect from 1 April 2022, relating to the required accounting treatment for leases
- The revised international risk assessment standard requiring auditors to undertake more robust audit risk identification and assessment.
- The revised Auditing Standard relating to fraud, which clarifies the auditor's obligations relating to the prevention and detection of material fraud.

The Committee approved the External Audit Plan.

- **Limited Assurance Internal Audit Reports**

The Committee discussed and considered two Internal Audit reports providing only limited assurance:

- ***BH/25/2023 - IT systems and software management – Limited Assurance***

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The objective of this audit was to provide assurance that the recommendations made by an external consultancy practice regarding IT systems and software management had been actioned.

The audit identified that:

- no formal action plan had been developed to track the implementation of the actions recommended, with no action owners having been assigned nor action deadline set.
- there was no evidence of progress reporting to an oversight committee or group
- out of the Trust's 15 key IT systems, a technical support and system maintenance contract could only be provided to the auditors for one system.

The Chief Digital & Information Officer(CD&IO) is liaising with colleagues and Internal Audit to undertake a comprehensive review of IT General Controls and to obtain and deliver assurance regarding the overall integrity of key IT systems. The Committee is being kept informed regarding progress and will receive a formal report at its 23 May meeting.

○ ***BH/26/2023 Safer Procedures: National Safety Standards For Invasive Procedures (NatSSIPs) – Limited Assurance***

The Chief Medical Officer(CMO) explained the background to the implementation some years ago of NatSSIPs. He explained that, in part due to the pressures created by Covid, assurance that NatSSIPs were being complied with had reduced. He nevertheless reassured the Committee that underlying compliance with the Standards had been unaffected.

The CMO reported that the seven recommendations arising from the report had been expanded by management to 16 actions and that good progress was being made with all of them.

● **Draft Internal Audit Plan 2023/24**

The Committee noted and was satisfied by the process by which the draft Annual Internal Audit Plan had been prepared, with a clear focus on key risk areas. The Committee approved the Plan, subject to final Executive Management Team approval.

● **Internal Audit progress report**

The Committee noted that:

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- 129 days of audit activity remained to be completed in accordance with the 2022/23 Internal Audit Plan. Internal Audit reassured the Committee that these days would be completed before the Head of Internal Audit Opinion deadline.
- Three audit reports were currently in draft and expected to have significant assurance ratings:
 - Business Cases; pre and post implementation controls
 - Patient safety – national standards for cancer patients
 - Ward accreditation
- In addition to the two Limited Assurance reports issued (see above) a further five audit reports had been issued since the February Audit Committee meeting, with two High Assurance ratings and three Significant Assurance ratings:
 - ***BH/23/2023 Scan for Safety; Gateway Review – Significant Assurance***
The objective of the audit was to assess whether the Trust has effective arrangements in place in respect of the deployment of the Scan for Safety Programme with appropriate reporting and monitoring of the progress made.
 - ***BH/24/2023 People Plan; Belonging to the NHS – Significant Assurance***
The objective of the audit was to provide assurance that the Trust has effective arrangements in place to implement the ‘Belonging in the NHS’ strand of the NHS People Plan and improve equality, diversity and inclusion of staff within the Trust.
 - ***BH/27/2023 Board Assurance Framework & Risk Management Framework – Significant Assurance***
The objective of the audit was to provide assurance that the Board Assurance Framework is fit for purpose and is being effectively utilised by the Board and that the Trust has processes in place to identify and understand its risks.
 - ***BH/28/2023 Financial Transactions – High Assurance***
The objective of the audit was to provide assurance on the operation of the Trust’s financial transaction systems.
 - ***BH/29/2023 Visiting Arrangements – High Assurance***
The objective of the audit was to provide assurance that the Trust has arrangements in place for the safe and effective management of visitor access.

- **Follow Up of Internal Audit Recommendations**

The Committee noted the current status of outstanding internal audit recommendations and was reassured by management’s continuing efforts to action recommendations in a timely manner.

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- **Counter Fraud Progress Report**

The Committee noted and was reassured by the continuing Counter Fraud activity in accordance with the Annual Counter Fraud Work Plan including:

- Hold to Account investigations
- Inform and Involve activities
- Prevent and Deter Fraud Alerts

- **Appropriateness of Single Source Tenders**

The Committee was assured by the documentation supporting the uses of single source tenders.

- **IFRS16 – Accounting for leases**

The Committee considered the paper setting out how it is proposed to determine deemed lives for the leases to which the Trust is a party for the purposes of adopting International Financial Reporting Standard 16 (IFRS16). The Committee was satisfied that the approach proposed appeared reasonable and awaited the view of External Audit.

- **Assurance regarding key IT systems: progress report update**

The Committee reflected upon the ongoing discussions and activities involving the Chief Digital & Information Officer(CD&IO), the Director of Finance, Internal Audit and the Audit Committee Chairman. It was agreed that the CD&IO would present a proposal at the 23 May Audit Committee meeting setting out how, and by when, to achieve acceptable assurance regarding IT general controls and the overall integrity of the Trust's key IT systems.

- **Policies and procedures for ensuring acceptable key Trust data quality**

The CD&IO referred to research into how other Trusts approach the challenging task of obtaining adequate assurance regarding key Trust data. He undertook to present a proposal at the 23 May Audit Committee meeting as to how BTHFT should proceed.

- **Cyber security**

Whilst acknowledging that cyber threats are ever evolving, the Committee was assured by the steps being taken to protect against threats, including:

- Maintaining cyber security risk as High on the Trust's risk register
- System and data backup procedures and tests

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- Achieving reaccreditation to ISO27001, the leading standard for information security management systems
- Strong technical protection being demonstrated through assessment against the National Cyber Security Centre's '10 steps to cyber security'
- The successful identification of cyber threats but with no resultant attacks in the last year
- Continuing activity to raise and maintain staff awareness regarding cyber threats

• **Update on delivery of the Emergency Preparedness & Response (EPRR) 21/22 workplan and NHSE core standards**

The Chief Operating Officer expanded upon his paper to provide assurance regarding the Trust's EPRR readiness and its compliance with NHSE's EPRR Core Standards. The Trust has been assessed as fully compliant with 59 out of 64 standards, with plans to address during 2023/24 the five areas requiring attention.

• **Effectiveness of Quality Management System in protecting patient and staff interests**

The Associate Director of Quality provided an update regarding Quality Oversight and Assurance within the Trust, reinforcing assurances previously provided to the Committee.

• **Assurance regarding compliance with the Risk Management Strategy**

The Associate Director of Corporate Governance/Board Secretary provided an update regarding research into whether and how an assurance map can beneficially augment the Trust's approach to effective risk management. Work on this continues.

• **Draft Annual Governance Statement 2022/23**

The Chief Executive who, as Trust Accounting Officer, is responsible for submitting the Annual Governance Statement(AGS) joined the meeting to discuss the process by which the draft AGS had been prepared.

The Committee was able to confirm that:

- The draft contains all of the elements required by relevant guidance
- The draft contains no inconsistencies between the statements made and the reports that the Committee has received from auditors or other sources of assurance
- Any and all significant control issues and gaps in control or assurance recorded in the draft are consistent with reports that the Committee has received
- The draft gives a balanced view of the Trust's governance arrangements throughout the year.

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The Committee will consider and, if appropriate, approve the final version of the AGS, in conjunction with the Head of Internal Audit Annual Opinion, during the 23 May Committee meeting. Consideration will be given to the appropriateness and completeness of management disclosures regarding assurance relating to key IT systems and data quality (see above).

- **Compliance with NHS Provider Licence and FT Code of Governance**

Based upon reviewing the papers, the Committee was satisfied that the Trust has complied with the Provider Licence conditions and with the NHS Foundation Trust Code of Governance. The Committee agreed that it was content to recommend Board approval.

3. Other matters

3.1 Matters to share with other Academies/Committees

None.

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.

4. Recommendation

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

Barrie Senior
Audit Committee Chairman

30 April 2023