

## TRUST BOARD MEETING

30 May 2019

Paper Title:	Assurance Report from the Committee Chairs
Lead Director:	Committee Chairs
Paper Author:	Committee Chairs
Agenda Item:	<b>8</b>
Presented For:	Assurance
Paper Category:	Governance and Compliance

### **Executive Summary:**

This paper provides a summary of assurances presented to the Board by the Audit Committee Chair, and Finance Business and Investment Committee since its last meeting to allow Board members to triangulate levels of assurance, identify any gaps and/or actions.

### **Recommendations:**

The Trust Board is asked to:

- note the issues highlighted from the Audit Committee
- ratify the Audit Committee Terms of Reference, noting the amendments that have been made to them
- note the issues highlighted from the Finance Business and Investment Committee
- discuss any areas for further triangulation/action.

**Governance/Audit Trail:**

Meetings where this item has previously been discussed (please mark with an X):							
<b>Audit Committee</b>	X	<b>Quality &amp; Safety Committee</b>		<b>Remuneration Committee</b>		<b>Finance, Business &amp; Investment Committee</b>	X
<b>Executive Management Team</b>		<b>Directors</b>		<b>Chair of Committee Meetings</b>		<b>Mental Health Legislation Committee</b>	
<b>Council of Governors</b>							

This report supports the achievement of the following strategic aims of the Trust: (please mark those that apply with an X):	
<b>Quality and Workforce:</b> to provide high quality, evidence-based services delivered by a diverse, motivated and engaged workforce	X
<b>Integration and Partnerships:</b> to be influential in the development and delivery of new models of care locally and more widely across West Yorkshire and Harrogate STP	X
<b>Sustainability and Growth:</b> to maintain our financial viability whilst actively seeking appropriate new business opportunities	X

This report supports the achievement of the following Regulatory Requirements: (please mark those that apply with an X):	
<b>Safe:</b> People who use our services are protected from abuse and avoidable harm	
<b>Caring:</b> Staff involve people who use our services and treat them with compassion, kindness, dignity and respect	
<b>Responsive:</b> Services are organised to meet the needs of people who use our services	
<b>Effective:</b> Care, treatment and support achieves good outcomes, helps to maintain quality of life people who use our services and is based on the best available evidence.	
<b>Well Led:</b> The leadership, management and governance of the organisation make sure it's providing high-quality care that is based around individual needs, encourages learning and innovation, and promotes an open and fair culture.	X
<b>NHSI Single Oversight Framework</b>	

## Assurance Report from Audit Committee Chair

### 1. Audit Committee meeting held on the 21 May 2019

At their meeting on the 21 May 2019 Committee members approved the Annual Report and Accounts; Quality Report; and the Annual Governance Statement for onward transmission to the Board for its approval. This approval was subject to final minor amendments being made to update data. The Committee noted the proposed “clean” opinion on the Financial Accounts and Quality Report provided by the external auditors (KPMG) and approved the letters of representation to KPMG from Brent Kilmurray on the financial statements and the Quality Report. The Committee noted the reasons for the “exception” statement in the Value for Money opinion from KPMG and agreed that the Trust’s response to the CQC letter (which had led to the exception report) covered assurance requirements at this stage.

### Assurances

The Committee received the annual report from Internal Audit. They noted that a ‘significant’ assurance opinion had been provided within the Head of Audit Opinion Statement. Three internal audit reports concluded with a ‘limited’ assurance opinion. All other Internal Audit Reports issued in respect of the 2018/2019 plan have concluded with either a ‘High’ or ‘Significant’ assurance opinion.

They noted that most elements of the original plan had been delivered as expected. The Plan was reviewed in April 2019 with the Director of Finance considering the impact of the Care Quality Commission visit. The Committee will consider potential changes to the 19/20 Plan when they have been agreed by the Director of Finance.

At this meeting, the Committee received from Internal Audit one “limited assurance” report, four “significant assurance” reports and one “high assurance reports, covering:

- IMT starters, leavers and changes process (limited)
- DSP toolkit IT security (significant)
- Managing environmental risks (significant)
- Mental health care plans and records (significant)
- Payroll (significant)
- Financial systems (high)

The Committee noted the actions being taken in light of the limited assurance report, reviewed the associated risks and concluded that these are acceptable in the short term and agreed to receive an update on progress at its next meeting.

The Committee noted that most actions arising from internal audit reports were being cleared in accordance with the proposed timescales and, where there are delays, these are either relatively minor or have good reason.

The Committee received the Annual Litigation Report. They noted the slight decrease in claims received and were assured that Lessons learned from claims are shared across services. The Committee noted that NHS Resolution had advised that Clinical Negligence Scheme for Trusts contributions overall have risen by 1.8% from their budget, whereas Liability to Third Parties Scheme will reduce by 2.8%.

Assurances were also received in relation to:

- the processes and controls in place within the Trust for the activity of the Freedom to Speak Up Guardian
- counter-fraud activity
- losses and special payments - no significant untoward items

The Committee also gained some assurance in relation to the process that supports the Annual Information and Data Assurance. However, it was noted that this annual exercise was yet to conclude in most areas and the Committee agreed to receive further updates when the process has been concluded.

### **Board to note**

Committee members discussed the development of the Performance Management Framework within the Trust. In-line with its production timeline, it was agreed that this would be presented to the private Board of Directors meeting on the 27 June 2019, with the outcome of that discussion being presented to the public Board of Directors meeting on the 25 July 2019.

**David Banks**

**23 May 2019**

**Non-executive Director and Chair of the Audit Committee**

## 2. Ratification of the Audit Committee Terms of Reference

At the Audit Committee meeting on the 15 April 2019, the Audit Committee reviewed its Terms of Reference and agreed some amendments to cover references to data quality and scrutiny of reviews relating to the effectiveness of other Board Committees. The Terms of Reference are attached as appendix one with the suggested changes marked in red. They were presented to Committee members at their meeting on the 21 May 2019 and were approved.

### Appendix one

#### Audit Committee

#### Terms of Reference

<b>Document details:</b>	Terms of Reference for the Audit Committee
<b>Version:</b>	10
<b>Approved by:</b>	Audit Committee
<b>Date approved:</b>	21 May 2019
<b>Ratified by:</b>	Trust Board
<b>Date ratified:</b>	30 May 2019
<b>Title of originator / author:</b>	Director of Corporate Affairs
<b>Title of responsible Director:</b>	Non-Executive Chair of Audit Committee
<b>Date issued:</b>	1 June 2019
<b>Review date:</b>	1 February 2020
<b>Frequency of review:</b>	Annual
<b>Where is previous copy archived: (if applicable)</b>	Trust Board shared folder
<b>Amendment Summary (changes highlighted in red):</b>	Section C, Governance, Risk Management and Internal Control:

	<p>additional reference to overview of data quality.</p> <p>Section C, Other Assurance Functions: additional reference to scrutinise any results from the effectiveness reviews of other Board Committees.</p>
--	--

## **Terms of Reference for the Audit Committee**

### **A. Overall aim or purpose:**

The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee. The Audit Committee is a Non-Executive Committee of the Board and has no executive powers, other than those specifically delegated in these terms of reference.

### **B. Key objectives:**

The Audit Committee shall provide the Trust Board with a means of independent and objective review of financial and corporate governance, and risk management. In addition, the Audit Committee shall provide assurance of independence for external and internal audit.

### **C. Specific areas of responsibility:**

The Audit Committee is authorised by the Trust Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The duties of the Audit Committee can be categorised as follows:

#### **Governance, Risk Management and Internal Control**

The Audit Committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives. In particular, the Audit Committee will review the adequacy of:

- all risk and control related disclosure statements (in particular the Annual Governance statement and declarations of compliance with Care Quality Commission registration (the latter led through the Quality & Safety Committee)), together with any accompanying Head of Internal Audit statement, external audit opinion or other appropriate independent assurances, prior to endorsement by the Trust Board;
- the underlying assurance processes that indicate the degree of the achievement of corporate objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statements;
- the policies for ensuring compliance with relevant regulatory, legal and code of conduct requirements and related reporting and self-certification;
- the Trust's arrangements for its employees and contractors to raise concerns, in

confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

- how cyber security arrangements are being managed including appropriate risk mitigation strategies.

- the Trust's approach to data quality, through (but not exclusively) a review of the Performance Management Framework and Information Assurance Framework.

In carrying out this work the Audit Committee will primarily utilise the work of Internal Audit, External Audit and other assurance functions, but will not be limited to these audit functions. It will also seek reports and assurances from Directors and managers as appropriate, concentrating on the overarching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness.

This will be evidenced through the Audit Committee's use of an effective Assurance Framework to guide its work and that of the audit and assurance functions that report to it.

### **Internal Audit**

The Audit Committee shall ensure that there is an effective internal audit function established by management that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board. This will be achieved by:

- consideration of the provision of the Internal Audit service, the cost of the audit and any questions of resignation and dismissal;

- review and approval of the Internal Audit strategy, operational plan and more detailed programme of work, ensuring that this is consistent with the audit needs of the organisation as identified in the Assurance Framework;

- consideration of the major findings of internal audit work (and management's response), and ensure co-ordination between the Internal and External Auditors to optimise audit resources;

- ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organisation; and

- annual review of the effectiveness of internal audit.

### **External Audit**

The Audit Committee shall review the work and findings of the External Auditor

appointed by the Council of Governors and consider the implications and management's responses to their work. This will be achieved by:

- consideration of the appointment and performance of the External Auditor, in line with the Trust's Constitution and the statutory guide for Foundation Trust Governors;
- discussion and agreement with the External Auditor, before the audit commences, of the nature and scope of the audit as set out in the Annual Plan, and ensure coordination, as appropriate, with other External Auditors in the local health economy;
- discussion with the External Auditors of their local evaluation of audit risks and assessment of the Trust and associated impact on the audit fee; and
- review all External Audit reports, including agreement of the annual audit letter before submission to the Trust Board and any work carried outside the annual audit plan, together with the appropriateness of management responses.

### **Counter fraud**

The Committee shall satisfy itself that the organisation has adequate arrangements in place for countering fraud and shall review outcomes of counter fraud work. The Committee shall review the adequacy of the policies and procedures for all work related to fraud and corruption as set out in Secretary of State Directions and as required by the NHS Counter Fraud Authority.

### **Other Assurance Functions**

The Audit Committee shall review the findings of other significant assurance functions, both internal and external to the organisation, and consider the implications to the governance of the organisation.

These will include, but will not be limited to, any reviews by Department of Health Arms Length Bodies or Regulators/Inspectors (e.g. Care Quality Commission, NHS Improvement, NHS Resolution, etc.), professional bodies with responsibility for the performance of staff or functions (e.g. Royal Colleges, accreditation bodies, etc.)

**The Audit Committee will also scrutinise the results of any effectiveness reviews that are commissioned relating to other Board Committees.**

### **Management**

The Audit Committee shall request and review reports and positive assurances from Directors and managers on the overall arrangements for governance, risk management and internal control. They may also request specific reports from individual functions within the organisation (e.g. clinical audit) as they may be

appropriate to the overall arrangements.

### **Financial Reporting**

The Audit Committee shall monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance.

The Audit Committee shall review the Annual Report and Financial Statements before submission to the Trust Board, focusing particularly on:

- the wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee;
- changes in, and compliance with, accounting policies and practices unadjusted mis-statements in the financial statements;
- major judgemental areas;
- significant adjustments resulting from the audit;
- qualitative aspects of financial reporting; and
- letters of representation from Directors.

The Audit Committee should also ensure that the systems for financial reporting to the Trust Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Trust Board.

#### **D. Chair:**

The Audit Committee shall be chaired by a Non-Executive Director appointed by the Trust Board. A second Non-Executive Director shall be identified to act as Deputy Chair.

#### **E. Members:**

The Audit Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Trust and shall consist of not less than three members. A quorum shall be two members. One of the members will be appointed Chair of the Committee by the Board. The Chairman of the organisation shall not be a member of the Committee.

#### **F. Accountable to:**

The Audit Committee is accountable to the Board. The minutes of the Audit Committee shall be formally recorded and submitted to the Trust Board. The Chair of the Audit Committee shall draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action.

The Committee will report to the Board annually on its work in support of the Annual Governance Statement, specifically commenting on the fitness for purpose of the Assurance Framework, the completeness and 'embeddedness' of risk management in the organisation and the integration of governance arrangements.

### **G. Accountable for:**

The Audit Committee will review the work of other Board Committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work. This will include the Finance, Business and Investment Committee, Mental Health Legislation Committee and Quality and Safety Committee.

In reviewing the work of the Quality and Safety Committee, and issues around clinical risk management, the Audit Committee will wish to satisfy itself on the assurance that can be gained from the clinical audit function.

### **H. Roles**

The role of the Chair is undertaken via a nominated Non-Executive Director. Minutes and administration of the meeting is undertaken through the Director of Corporate Affairs, which will include:

- Agreement of the agenda with the Chairman and attendees and collation of papers;
- Accuracy of the minutes and keeping a record of matters arising and issues to be carried forward; and
- Advising the Committee on pertinent issues.

### **I. Frequency of Meetings:**

Meetings shall be held between three and six times a year. The External Auditor or Head of Internal Audit may request a meeting if they consider that one is necessary.

### **J. Frequency of Attendance:**

All Committee members will be expected to attend the meeting at least three times annually. Attendance will be monitored by the Director of Corporate Affairs.

The Director of Finance and appropriate Internal and External Audit representatives shall normally attend meetings. However, at least once a year the Committee should meet privately with the External and Internal Auditors.

The Chief Executive and other Executive Directors should be invited to attend, but particularly when the Committee is discussing areas of risk or operation that are the responsibility of that Director. The Chief Executive should also attend when the Committee considers the draft Internal Audit Plan and the draft Annual Report, Accounts and Quality Report.

NB. The Chief Executive should have a standing invitation to attend the meeting and as a minimum will need to attend the meeting annually, to discuss the process for assurance that supports the Annual Governance Statement.

**K. Quorum:**

The Committee will be considered quorate where two Non-Executive Directors are present.

**L. Record Keeping:**

Archives of minutes and papers relating to the Audit Committee are kept on the Trust shared drive.

**M. Lifespan of meeting:**

The Audit Committee is a standing committee of the Trust Board. It will continue to meet in accordance with these Terms of Reference until the Trust Board determines otherwise.

**N. Monitoring arrangements**

All elements of the Audit Committee Terms of Reference will be monitored by the Director of Corporate Affairs, reviewed annually by the Committee and reported in its Annual Report to the Board. The Committee may choose to invite external organisations and individuals to present issues and reports from time to time.

# Finance Business Investment Committee Assurance Report to Board

From meeting on 8 May 2019

## Issues where FBIC recommends attention at Board

The Committee received an update on the progression of the Functional Model for MH medical staff allocations. It was clear that colleagues' efforts had resulted in convincing proposals that there was optimism would be implemented by the end of the month. Oral reports suggested that the filling of posts was also progressing well, with 6 expressions of interest for the Inpatient posts and 2 'enabling' community locum candidates being pursued (with a target June start date). It was assured that QIAs were planned for the detailed proposals, and that the impacts on caseloads and multi-disciplinary team allocations were being effectively worked through. The committee complemented colleagues on the progress made. It **recommended** that Q&S Committee should conduct a 6-month review of the impacts of the model on the service-users in the Autumn.

It noted proposed adjustments to the 2019/20 Capital Plan in order to ring-fence a potential allocation of £1260k for anti-ligature works, call alarms and a potential door alarm installation proposal, should the need be confirmed following a planned Safety week. This would incorporate a Clinical Summit to consider potential investment alongside the quality of experience, therapeutic programmes, and safety on inpatient wards to inform the development of a business case for Board consideration, as had been suggested at the Private April Board meeting.

It discussed a report on the Trust's use of the Apprenticeship Levy. Currently the Trust pays considerably more into the national scheme than it claims back for training provisions for its own staff. An internal target of increasing the use of the fund by £100k had been proposed for 2019/20 (the Trust is required to report compliance against an expectation externally that 2.3% of posts, or around 63 posts per annum, will be apprenticeships. It was clear from the discussions that executive colleagues were keen to make fuller use of the levy, to support re-skilling, increased staff diversity, and talent progression, as well as to reduce the net cost of the scheme. Opportunities were highlighted linked to inpatient agency cost reductions and interpreting. Some of the barriers appeared to be with the breadth of understanding of the opportunities and detailed workings of the scheme amongst managers. The committee **recommended** fuller attention at SLG.

It noted the ongoing acute inpatient bed pressures, higher than average lengths of stay and out of area placements and **recommended** ongoing oversight of this alongside investment in mental health services and as recent actions taken as part of the Rapid Improvement week continue to be progressed and are embedded.

It **agreed** its own Annual Report, for consideration at Board.

### **Issues where FBIC can provide assurance to Board**

The Committee considered the Trust's Financial Outturn position for 2018/19 as submitted in the draft Annual Accounts. At headline level, the control total target of £388k had been exceeded by £4k, allowing the Trust to receive additional, one-off, PSF allocations in full, taking our gross surplus on the year to £2831k, before a technical adjustment for impairments. The outturn position was broadly as had been forecast consistently during 2018/19, including transformation pressures of £3.2m. National Audit Office confirmation had been received the previous week that revised guidance issued by RICS in relation to asset valuations was not expected to impact until 2019/20. The Committee expressed its appreciation of the Trust's management in achieving this outcome.

It also noted the substantial progress in completing QIAs for the CIP elements required for 2019/20. It reiterated the need to develop plans that would enable the Trust to deliver a balanced operating plan for 2020/21, when one-off funding would fall away.

It noted, with appreciation, the continuing grip being applied to interpretation services. It agreed that the costs of provisions no longer needed special attention in 2019/20 financial monitoring, but it was keen that service-user experience should continue to be monitored.

### **Other issues considered by the Committee**

The Committee also considered:

- issues identified by Internal Audit over access to, and recording of, appraisals.
- a Market Development report including progress to develop strategic objectives through discussion with Board colleagues. In advance of a planned October Board discussion one to ones with individual Board colleagues would be coordinated by mid-June to agree shared priorities. The potential for re-procurement by NHS England of the Wakefield vaccination & immunisations contract (ending March 2020) was signaled.
- a progress report on the management of Microsoft licences with further discussion of potential to transfer to E1 licences to be scheduled for SLG before the annual contract true-up. Without further action the update signalled the potential for a cost pressure in part driven by volume increases.
- Continued progress on the Costing Transformation Programme and an update that PLICS (Patient Level Costing) for reference costs would be mandated for mental health services from 2019/20.
- the use being made of the Gartner membership which provided access to expertise/assistance over IT strategic issues. It was evident that further attention to programme targeted use of the membership e.g. to realise servicedesk and contract review efficiencies should be overseen by SLG.

**Rob Vincent**  
**Non-executive Director and FBIC Chair**