



**Bradford Teaching Hospitals**  
NHS Foundation Trust

Board of Directors: 18 March 2021

Agenda Item: Bo.3.21.16a

## REPORT FROM THE AUDIT & ASSURANCE COMMITTEE MEETING 2 FEBRUARY 2021

<b>Presented by</b>	Matthew Horner, Director of Finance	
<b>Author</b>	Barrie Senior – Non-Executive Director and Audit Committee Chairman	
<b>Lead Director</b>	Matthew Horner, Director of Finance	
<b>Purpose of the paper</b>	To provide an update regarding key matters covered in the Audit & Assurance Committee meeting on 2 February 2021	
<b>Key control</b>		
<b>Action required</b>	To assure	
<b>Previously discussed at/informed by</b>		
<b>Previously approved at:</b>	<b>Committee/Group</b>	<b>Date</b>
<b>Recommendation</b>		
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"/>



**Bradford Teaching Hospitals**  
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Board of Directors: 18 March 2021

Agenda Item: Bo.3.21.16a

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Legal/regulatory implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Diversity and Inclusion implications	<input type="checkbox"/>	<input checked="" 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:** 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)					
Workforce	Quality	Finance & Performance	Regulation & Assurance Committee		Other (please state)
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Board of Directors: 18 March 2021

Agenda Item: Bo.3.21.16a

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## Report of the Audit & Assurance Committee to Board, 18 March 2021

<b>1</b>	<b>PURPOSE/ AIM</b>
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To provide an update regarding key matters covered in and relating to the Audit & Assurance Committee meeting on 2 February 2021.

<b>2</b>	<b>BACKGROUND/CONTEXT</b>
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The agenda of the meeting held on 2 February was driven by the 2020/21 Audit and Assurance Committee Annual Workplan.

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

- External Audit Plan 2020/21
- Charitable Annual Report and Accounts update
- Internal Audit Progress Report
- Follow Up of Internal Audit Recommendations
- Internal Audit External Quality Assessment
- Counter Fraud Progress Report
- Assessment of bank controls
- Annual Accounts 2020/21 update
- Board Assurance Framework and Strategic Risk Register
- Security Management Standards for Providers
- Audit Committee Annual Self Assessment
- Annual Report and Quality Report 2020/21 production schedule
- New Governance Structure update

<b>3</b>	<b>RECOMMENDATIONS</b>
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The Board is asked to note and derive assurance from this report.

<b>4</b>	<b>APPENDIX</b>
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Report included overleaf

Board of Directors: 18 March 2021

Agenda Item: Bo.3.21.16a

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## **Audit and Assurance Committee Report to the Board, 18 March 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 and Assurance Committee meeting held on 2 February 2021.

### **2. Key Matters discussed**

- **External Audit Plan 2020/21**

The Committee received and considered Deloitte's Planning Report on the (external) audit for the year ending 31 March 2021.

Key points discussed were:

- Our auditor's key areas of responsibility under the Audit Code:
  - Audit of the Trust's Financial Statements
  - Consideration of the Annual Governance Statement
  - Consideration of the arrangements that the Trust has made to secure financial resilience and economy, efficiency and effectiveness in its use of resources: 'Value For Money'
- As last year, in respect of 2020/21 NHSI do not require external auditors to provide assurance regarding Trusts' Quality Reports
- The National Audit Office now requires a significantly revised approach to 'Value For Money', with a wider scope of underlying audit work
- NHSI has confirmed that the deadline for submission of the Trust's audited accounts is 15 June
- The requirement to adopt and comply with International Financial Reporting Standard (IFRS) 16, Leases, has been deferred to 2022/23
- Deloitte will apply a materiality level to their work of £9.2m (2019/20 £9.0m), with individual misstatements in excess of £300k (2019/20 £300k) being reported to the Audit Committee
- Our auditor's expectation that our year end reporting will include a thorough assessment of the current and potential future effects of the Covid-19 pandemic
- The recognition, and the planning of audit work in respect, of identified significant audit risks:
  - The presumed risk, under International Standards on Auditing, of fraud in the recognition of revenues

Board of Directors: 18 March 2021

Agenda Item: Bo.3.21.16a

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- The risk, again under International Standards on Auditing, of management override of controls in the production of financial statements
- The auditors noted that, as in 2019/20, the valuation of the Trust's property will be a particular area of audit scrutiny
- **Charitable Annual Report and Accounts update**

The Committee received a report confirming the continuing delay in the completion of the audit of the 2019/20 Charitable Accounts. This is due to continuing uncertainty on the part of the auditors as to the appropriate accounting treatment for a particular investment transaction. Permission to delay the submission of the audited accounts to the Charity Commission has been sought and obtained. An extraordinary meeting of the Audit Committee may be required, prior to its next scheduled meeting on 6 April, finally to consider the accounts and the audit result and then to recommend approval of the accounts to the Board.
- **Internal Audit Progress Report**

Internal Audit's progress report set out that, due to Covid-related restrictions, only four audits had been completed since the December Audit Committee meeting. Three reports carried significant assurance opinions and one carried a Limited Assurance opinion:

***BH/06/2021 Pharmacy System – Significant Assurance***

The objective of this audit was to provide assurance that the EMIS Pharmacy system is being effectively utilised for the administration of medicines, whilst providing up to date, accurate management information.

The audit resulted in two moderate and three minor recommendations all with target completion dates on or before 30 November 2020.

***BH/07/2021 Fit and Proper Persons – Significant Assurance***

The objective of this audit was to provide assurance that the Trust has appropriate systems and processes in place to ensure compliance with Regulation 5 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014 – Fit and Proper Persons.

The audit resulted in one moderate recommendation. The Committee was reassured that this had already been actioned.

Board of Directors: 18 March 2021

Agenda Item: Bo.3.21.16a

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***BH/08/2021 Statutory Regulation Identification and Compliance  
Management – Asbestos/Legionella – Significant Assurance***

The objective of this audit was to provide assurance that the Trust has a managed risk approach for the identification, assessment and maintenance of asbestos and legionella within site buildings in accordance with legislation.

The audit resulted in two minor recommendations relating to quoracy in a working group and currency of legionella training.

***BH/09/2021 Asset Utilisation – Endoscopy – Limited Assurance***

The objective of this audit was to provide assurance that the Trust's endoscopy assets are utilised in the most optimum and effective manner with the aim of providing best outcomes for patients and value for money for the Trust.

The audit resulted in three major recommendations calling for improvements in asset tracking and asset utilisation capture and reporting. A new system, Scan4Safety, is being implemented to facilitate improvements.

***Proposed deferral of audits in the 2020/21 Internal Audit Plan***

The Internal Audit Progress Report reflected recent discussions between Internal Audit and Executive Management regarding the impact of Covid-19 upon the feasibility of executing and completing of the 2020/21 Internal Audit Plan. In view of work pressures and access restrictions caused by Covid-19, a proposition was put to the Committee that a high proportion of planned audits should be deferred beyond 2020/21.

The Committee, whilst fully sympathetic to the difficulties and constraints imposed by Covid-19, was concerned in particular by the proposal potentially to defer audits of areas directly relating to patient care and patient safety.

The Committee recognised the constraints under which Internal Audit and Executive Management were operating and the cooperative efforts to determine which audits were, even given the circumstances, 'must dos' – so as to enable the production of a meaningful Head of Internal Audit Opinion for the year - and then which audits in the 2020/21 Internal Audit plan were 'should dos' to varying levels of priority.

Given the extent of the proposed audit deferrals, rather than the Committee provide approval, it was agreed that a paper should be presented to the

**Board of Directors: 18 March 2021**

**Agenda Item: Bo.3.21.16a**

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Board (for expediency whilst meeting as a Regulation and Assurance Committee on 17 February) so that all Executive Directors could confirm the acceptability of audit deferrals within their respective directorates.

The Director of Finance and Internal Audit confirmed that all audits deferred from 2020/21 will be considered for inclusion in the 2021/22 Internal Audit Plan.

- **Follow Up of Internal Audit Recommendations**

The Committee noted the progress in actioning agreed Internal Audit recommendations whilst recognising the impact of Covid-19 pressures.

- **Internal Audit External Quality Assessment**

The Committee noted the independent report confirming that Audit Yorkshire, the Trust's Internal Audit services provider, complies fully with Public Sector Internal Audit Standards.

- **Counter Fraud Progress Report**

The Committee noted the report which highlighted a reassuring increase in counter fraud activity.

- **Assessment of bank controls**

The Committee noted and was reassured by a summary of the controls surrounding the operation and use of the Trust's bank account.

- **Annual Accounts 2020/21 update**

The Committee noted the report setting out the proposed timetable for the production and completion of the Trust's 2020/21 Annual Accounts.

It was agreed that, as in previous year's, the members of the Audit Committee would receive the draft accounts as they are provided to external audit and would meet with the Director of Finance and colleagues so as to become familiar with the accounts and to obtain answers to any questions regarding their contents.

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

The Committee noted that the BAF and SRR continue to be reviewed and challenged by the Executive Management Team, the Regulation and Assurance Committee and the Board. The newly formed academies scrutinise their allocated sections of the SRR.

Board of Directors: 18 March 2021

Agenda Item: Bo.3.21.16a

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The Committee acknowledged that the BAF and SRR are expected to be enhanced and provide yet more persuasive assurance once the current Governance Review reaches completion.

- **Security Management Standards for Providers**

The Committee noted this annual assessment of the Trust's security arrangements performed utilising the framework provided by the now disbanded NHS Protect. The report confirmed that the Trust fully meets 25 standards, partially meets 4 standards, has 0 non-compliances. (Prior year: 24, 4, 1). The Committee was reassured that work continues to address the areas of partial compliance relating to:

- Training in the prevention and management of challenging behaviour
- Managing business critical assets worth less than £5,000
- A risk-based approach to identifying and protecting critical assets and infrastructure
- Site lockdown procedures

- **Audit Committee Annual Self Assessment**

The Committee Chairman reported that all members of the Committee had recently revisited the HFMA Audit Committee Handbook Self Assessment checklists that they had each completed in late 2019. All confirmed that their responses to the checklist criteria remained unchanged.

The only area where the Committee members felt some improvement would be beneficial – assurance regarding data quality – is in the next instance to be addressed at a Board development session.

- **Annual Report and Quality Report 2020/21 production schedule**

The Committee noted and approved the proposed production schedule leading ultimately to the Trust's Annual Report and Accounts 2020/21 being ready for filing with NHSI by 15 June.

- **New Governance Structure update**

The Associate Director of Corporate Governance/Board Secretary provided a verbal update regarding progress and plans for the rollout of the new governance structure.

**Board of Directors: 18 March 2021**

**Agenda Item: Bo.3.21.16a**

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**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  
Chairman – Audit & Assurance Committee  
12 March 2021