



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

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 & Assurance Committee meeting on 2 February 2021	
Key control		
Action required	To assure	
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"/>



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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"/>

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

1	PURPOSE/ AIM
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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.

2	BACKGROUND/CONTEXT
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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

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

4	APPENDIX
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Report included overleaf

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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

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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.

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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

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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.

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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 NISI 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.

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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

Meeting Title	Board of Directors		
Date	18 March 2021	Agenda item	Bo.3.21.16b

Audit and Assurance Committee Annual Report 2019/20

Presented by	Barrie Senior, Audit and Assurance Committee Chair	
Author	Barrie Senior, Audit and Assurance Committee Chair	
Lead Director	Matthew Horner, Director of Finance	
Purpose of the paper	This paper provides a summary of the work of the AAC during 2019/20	
Key control	N/A	
Action required	For assurance	
Previously discussed at/ informed by	Audit and Assurance Committee held 13 October 2020	
Previously approved at:	Committee/Group	Date
	Audit and Assurance Committee	13 October 2020

Key Options, Issues and Risks

The Board of Directors (the Board) reviews the performance of its Committees annually to determine if they have been effective, and whether further development work is required. One of the key elements to this review is the annual report provided by its Committees.

The period reported on is from April 2019 to June 2020.

This annual report incorporates a summary of the activities of the Audit and Assurance Committee during and in respect of 2019/20. The work of the Committee in April and May of 2019, in respect of 2018/19 year end reporting, was described in the Committee's 2018/19 Annual Report.

The annual report was due to be presented to the Board of Directors in November 2020, but was omitted in error. It is therefore included on today's agenda for review.

Analysis

The Committee believes that during 2019/20 it took reasonable steps to perform its duties as delegated by the Board and specified in its then current terms of reference.

The Committee's terms of reference will be reviewed in April 2021 to ensure alignment with the revised governance arrangements, and any proposed amendments will be presented to the Board in May 2021 for approval.

Recommendation

The Board of Directors is asked to receive the Audit and Assurance Committee Annual Report 2019/20 as assurance that the Committee took reasonable steps to perform its duties as delegated by the Board and specified in its then current terms of reference.

Meeting Title	Board of Directors		
Date	18 March 2021	Agenda item	Bo.3.21.16b

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)						

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 checked="" type="checkbox"/>	<input type="checkbox"/>

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

Regulation, Legislation and Compliance relevance
NHS Improvement: (please tick those that are relevant)
<input checked="" type="checkbox"/> Risk Assessment Framework <input checked="" type="checkbox"/> Quality Governance Framework <input checked="" type="checkbox"/> Code of Governance <input checked="" type="checkbox"/> Annual Reporting Manual
Care Quality Commission Domain: Well Led
Care Quality Commission Fundamental Standard: Good Governance
NHS Improvement Effective Use of Resources: Finance
Other (please state):

Relevance to other Board of Director's Committee: (please select all that apply)	
Regulation & Assurance Committee	Audit and Assurance Committee
<input type="checkbox"/>	<input type="checkbox"/>

Audit and Assurance Committee Annual Report 2019/20

1. Introduction

Good practice requires that the Trust's Board of Directors ('the Board') should review the performance of its Committees annually to determine whether they have been effective, and whether further development work is required.

The period reported on is from April 2019 to June 2020

1.1 Review of Board Committees

In September 2018 the Board undertook a comprehensive review of its Board and Committee structures to improve the effectiveness of the Board. The results of the Board and Board Committee self-assessment process, including the outcome of the Audit and Assurance Committee Annual Self-Assessment 2018, identified opportunities for change and improvement in the way that the governance infrastructure of the Trust is constituted and managed. An important starting point was the review of the terms of reference of all of the Board Committees. The terms of reference were reviewed and amended in order to;

- Make the role of the Board Committees explicit in relation to the Board Assurance Framework
- Define the inter-relationships and interdependence between the different Board Committees
- Make the relationship of other Board Committees with the Audit and Assurance Committee explicit
- Standardise wording and format of all terms of reference

The revised terms of reference of the Audit and Assurance Committee were approved by the Board in March 2019

A Board Review of Committees was initiated in January 2020 with a view to the outcomes and recommendations being confirmed by the Board in May 2020. However, due to the required Trust response to the Covid-19 Pandemic the Board Committees were stood down on 12 March 2020 and an Executive and Non-Executive Regulation Committee established as an emergency response to ensure appropriate governance during the COVID19 pandemic.

1.2 Scope of this Annual Report

This annual report incorporates a summary of the activities of the Audit and Assurance Committee during and in respect of 2019/20. The work of the Committee in April and May of 2019 in respect of 2018/19 year-end reporting was described in the Committee's 2018/19 Annual Report.

2. Role of the Audit and Assurance Committee

The Audit and Assurance Committee is a Committee of the Board. The terms of reference of the Committee are attached as Appendix 1.

2.1 The role and objectives of the Audit and Assurance Committee

The Audit and Assurance Committee is required to provide an independent and objective view of internal control to the Board and the Trust's Accountable Officer. The objective of the Committee is to provide assurance on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control, with a view to enabling the Board to assure itself of the effectiveness of the Trust's risk management system and

procedures and its internal controls including those relating to business continuity and information technology.

The role of the Committee, in accordance with its terms of reference in effect in 2019/20, was to:

- Review the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the whole of the Trust's activities (both clinical and non-clinical) that supports the achievement of the Trust's objectives
- Ensure an effective Internal Audit function
- Ensure an effective Local Counter Fraud Service function
- Review the work and findings of the External Auditor and consider the implications of, and management's responses to, their work
- Review the Annual Report, Financial Statements and Quality Report before their submission to the Board for approval
- Review the findings of other significant assurance functions
- Report to the Board on the Committee's key findings.

Utilising an Annual Self-Assessment, the Committee produces, complies with and monitors a benchmarked annual work plan to ensure that it fully complies with its obligations.

2.2 Reporting requirements

It is the duty of the Committee Chair formally and regularly to report, on a timely basis, to the Board on the Committee's activities by:

- Providing a written update report to the Board following each meeting of the Committee
- Presenting the minutes of the Committee's meetings to the Board
- Ensuring appropriate escalation arrangements are in place to alert the Trust Board Chair, Chief Executive or Chairs of other relevant Committees of any urgent/critical matters that may compromise the delivery of the Trust's Strategic Objectives
- Reporting to the Board of Directors 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 Trust
 - The integration of governance arrangements
 - The appropriateness of the evidence that shows the Trust is fulfilling all relevant regulatory requirements and obligations
 - The robustness of the processes behind production of the Quality Accounts
- Presenting to the Board an annual report summarising the Committee's activities and the assurance received and provided

The minutes from meetings of the Audit and Assurance Committee, along with reports from the Audit and Assurance Committee Chairman highlighting the key items discussed, are presented at the public meetings of the Board.

The Committee Chairman is satisfied that the Committee fully complied with its reporting requirements during and in respect of 2019/20.

3. Membership and attendance record during and in respect of 2019/20

From April 2019 to May 2020 the Committee met eight times. Membership and attendance is recorded in the table below. Meetings originally scheduled for 7 April 2020, 19 May 2020 and 21 May 2020 were suspended in response to the coronavirus pandemic and, in response to changes in the regulatory end of year reporting requirements. Annual reporting, annual financial reporting, internal audit, external audit, and the Trust's Annual Governance Statement all in respect of the preceding financial year ending on 31 March 2020 were considered by the Committee in June 2020.

MEMBERS	16.4.19	21.5.19	23.5.19	30.7.19	3.12.19	4.2.20	10.6.20	16.6.20	TOTAL
Mr Barrie Senior (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	8 of 8
Mrs Selina Ullah	X	✓	X	X	✓	✓	✓	✓	5 of 8
Mr Jon Prashar	X	✓	✓	✓	✓	X	✓	✓	6 of 8
Mr Amjad Pervez	✓								1 of 1
✓ = Attended X = Apologies sent									
Denotes period when not a member of the Committee									

To note; Ms Julie Lawreniuk, Chair of the Finance and Performance Committee attended the AAC on 16 June as an observer.

Audit and Assurance Committee meetings are attended by the Director of Finance, an Assistant Director of Finance and the Trust Secretary. Other senior executives are invited to attend meetings when appropriate to discuss specific matters related to their roles. The Chief Executive, as the Trust's Accountable Officer, attends at least one meeting per year. Representatives of both Internal and External Audit also attend the meetings.

4. Summary of the work of the Committee during and in respect of 2019/20

4.1 Integrated Governance, Risk Management and Internal Control

During 2019/20 the Committee executed a benchmarked annual work plan to ensure the acquisition of adequate assurance regarding integrated governance, risk management and internal control. Supplemented by the consideration of assurance provided by internal audit, counter fraud and external audit, the Committee gained assurance from and in respect of:

- Board Assurance Framework Process
- Standing Orders (SOs), Standing Financial Instructions (SFIs) and the Scheme of Delegation
- Annual Governance Statement 2019/20
- CQC Inspection Report and Compliance Actions
- Clinical Audit Annual Report 2018/19
- Clinical Audit High Priority Work Plan 2019/20
- Cyber Security Update
- Annual Security Report 2019/20
- Exception Reports relating to Special Payments and Single Tender Waivers
- Whistleblowing/Freedom To Speak Up arrangements
- Self-Certification of NHS Provider Licence
- Security Management Standards for Providers

- Supplier Assurance Framework
- Third Party Provider Functions
- Compliance with Regulatory and Statutory Requirements
- Effectiveness Reporting and Governance
- Review of Draft and Final Board Committees Terms of Reference
- Review of Draft and Final Audit Committee Terms of Reference
- Charitable funds annual report and accounts
- Annual Audit Committee Self-assessment
- Quality Management System
- Annual Report and Financial Statements

4.2 Internal Audit (IA) and Local Counter Fraud Service (LCFS)

Internal Audit and Local Counter Fraud Services are provided to the Trust by Audit Yorkshire (previously West Yorkshire Audit Consortium). The Director of Finance is a member of the Audit Yorkshire Board which oversees Audit Yorkshire at a strategic level.

4.2.1 Internal Audit

In respect of 2019/20, the Committee considered and reviewed the following reporting from Internal Audit:

- Annual Internal Audit Performance review
- Internal Audit Charter
- Draft and Final Internal Audit Plan 2019/20
- Internal Audit Progress Reports, including individual internal audit review report summaries (significant assurance) and full reports (limited/no assurance)
- Internal Audit Follow-Up reports
- Internal Audit Annual Report & Head of Internal Audit Opinion 2019/20

The Internal Audit Charter formally defines the purpose, authority and responsibility of Internal Audit. This document was updated, reviewed and approved by the Audit and Assurance Committee in December 2019.

The Audit and Assurance Committee approved the planning methodology to be used by Internal Audit to create the Internal Audit Plan for 2019/20, and gave formal approval to the Plan in May 2019.

The conclusions, as well as all of the findings and recommendations, of all Internal Audit reports finalised during 2019/20 were shared with the Audit and Assurance Committee. The Committee challenged Internal Audit on assurances provided and, where appropriate, requested additional information, clarification and follow-up work if considered necessary. The system whereby all internal audit recommendations are followed-up on a quarterly basis was scrutinised. Progress towards the implementation of agreed recommendations was reported (including full details of all outstanding recommendations) to the Senior Leadership Team. The Audit and Assurance Committee reviewed and was satisfied by the quarterly progress reports.

4.2.2 Head of Internal Audit Opinion

The Head of Internal Audit is required to provide an annual opinion, based upon and limited to the internal audit work performed, on the overall adequacy and effectiveness of the Trust's risk management, control and governance processes. (i.e. the Trust's system of internal control). The

2019/20 Opinion was received by the Committee in June 2020 and a copy of this Opinion was included in the Trust's 2019/20 Annual Report and Accounts.

The opinion was that "Significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and inconsistent application of controls put the achievement of particular objectives at risk."

A total of 42 audit reports were issued relating to the 2019/20 Internal Audit Operational Plan, of which 42 (100%) were finalised prior to reporting to the 16 June 2020 Audit and Assurance Committee meeting.

4.2.3 Limited / Low Assurance Opinion Reports 2019/20

The Head of Internal Audit did find certain weaknesses in the design and/or inconsistent application of controls in certain areas which put the achievement of particular objectives at risk. Whilst a 'significant assurance' overall opinion was provided, three "Limited Assurance" reports were issued in 2019/20. These related to:

- Waste Management
- Information Asset Register
- Nursing assessments and care plan

The Committee has ensured that remedial actions in respect of these audit findings have been pursued.

The Head of Internal Audit Opinion contributed to the Committee's and to the Board's assessment of the effectiveness of the Trust's system of internal control and to the completion of the Annual Governance Statement 2019/20.

4.3 Counter Fraud

The LCFS Plan 2019/20 was reviewed and approved by the Audit and Assurance Committee in April 2019. The Local Counter-Fraud Specialist presented regular reports during the year detailing progress towards achievement of the Plan, as well as summaries of investigations undertaken.

The LCFS Annual Report 2019/20 was received by the Committee in June 2020 and provided a report on the work carried out against the LCFS Plan 2019/20.

The Committee received confirmation that, during 2019/20, the Trust had ensured that the LCFS had received all of the necessary support to enable them to perform their role efficiently, effectively and promptly. In order for the NHS Counter Fraud Authority to derive a clear picture of the work conducted, the Trust is required to submit an annual Self-Review Tool (SRT). The SRT is intended to enable the Trust to produce a summary of the anti-fraud, bribery and corruption work it conducted over the previous financial year. A review of the 2019/20 SRT by the Committee in June 2020 identified that the Trust fully met 20 of the standards and partially met one of the standards. Two standards were recorded as neutral. On this basis the Trust achieved an overall rating of 'GREEN' for the 2020 submission. The LCFS is working with the Trust to look at the standards where the Trust is less than fully compliant and to improve the compliance levels prior to the submission of the 2020/21 SRT.

4.4 External Audit / Financial Reporting

4.4.1 Appointment of External Auditor

In May 2019 the Trust extended the contract with Deloitte LLP for an additional year to May 2020 following receipt of approval by the Council of Governors in April 2019. In June 2020, following a process undertaken to appoint the External Auditor as from June 2020, the Council of Governors approved the appointment of Deloitte LLP, following receipt of a recommendation from the Chair of the Audit and Assurance Committee, for the period from 1 June 2020 to 31 May 2023 (with an option to extend for a maximum of two years). The process undertaken for the appointment of the External Auditor was reported upon in the Trust's Annual Report and Accounts 2019/20. The appointment of Deloitte LLP was made in accordance with the Code of Audit Practice for NHS Foundation Trusts, issued by the National Audit Office on behalf of the Comptroller and Auditor General.

4.4.2 Key reports from External Audit

During and in respect of 2019/20, the Committee considered and reviewed the following reporting from the External Auditors:

- Review of arrangements for the use of External Auditors for Non-Audit Purposes
- External Audit Annual Plan 2019/20
- External Audit – Sector Development Reports
- External Audit ISA 260 report 2019/20
- Annual Review of External Audit Performance
- ISA 260 – BTHFT Charity Annual Report and Accounts 2018/19

The Audit Committee received and approved an External Audit Plan for 2019/20 in December 2019. The Plan identified significant inherent audit risks related to:

- Revenue recognition related to CQUIN and STF income
- Property Valuations
- Management override of controls

The Plan identified key audit judgements relating to:

- Revenue recognition
- Going concern applicability
- Value for money considerations

The Committee received the 2019/20 External Audit Report (including the ISA 260 Report) in June 2020. The report confirmed that no significant audit issues had arisen in respect of the significant inherent audit risks and key audit judgements listed above. The report further confirmed that no audit adjustments or disclosure deficiencies had been identified. An unmodified audit opinion was given on the Trust's accounts for 2019/20.

Following the Committee meetings in June 2020, the Committee made recommendations to the Board of Directors to approve the final Audited Accounts, Annual Report and Annual Governance Statement for 2019/20.

Upon instructions from NHSE/I, as a result of Covid-19, the finalisation of the Quality Account 2019/20 has been delayed and does not require External Audit scrutiny. The Account is required to be filed by

December 2020 and the Committee will review the Account and the process by which it was produced ahead of filing.

At the Committee meeting in December 2019 the Committee approved the Bradford Hospitals Charity Annual Report and Accounts 2018/19.

4.4.3 Financial Reporting

During and in respect of the year, the Committee reviewed, gained assurance and approved the following:

- Annual Report & Quality Report 2019/20 - Timetable for Production
- Draft and final Annual Accounts 2019/20
- Draft and final Annual Report 2019/20
- Draft and final Letter of Representation 2019/20
- Bradford Hospitals Charity Annual Report and Accounts 2018/19

4.4.4 Use of External Audit to provide non-audit services

Any proposal for the use of the External Auditors to provide non-audit services is reported to, and dependent upon the nature and/or cost of the services prior approved by, the Audit and Assurance Committee. There were no such engagements in 2019/20.

4.5 Other significant assurance functions

During 2019/20, in addition to the assurances provided by Internal Audit, Counter Fraud and External Audit, the Committee received key pieces of assurance from:

- Care Quality Commission Inspection Reports: The Committee monitored and was satisfied by progress in responding to the Care Quality Commission Inspection Reports issued on 9 April 2020
- Reports from other Board Committees: In January 2020 the Committee was in receipt of draft annual assurance reports from the Trusts other Board Committees in line with the requirement from the Committee Terms of Reference. Due to the suspension of the other Board Committees from the end of February 2020 the Audit and Assurance Committee was not in receipt of the final annual reports.

5 Conclusion

The Committee believes that during 2019/20 it took reasonable steps to perform its duties as delegated by the Board and specified in its then current terms of reference

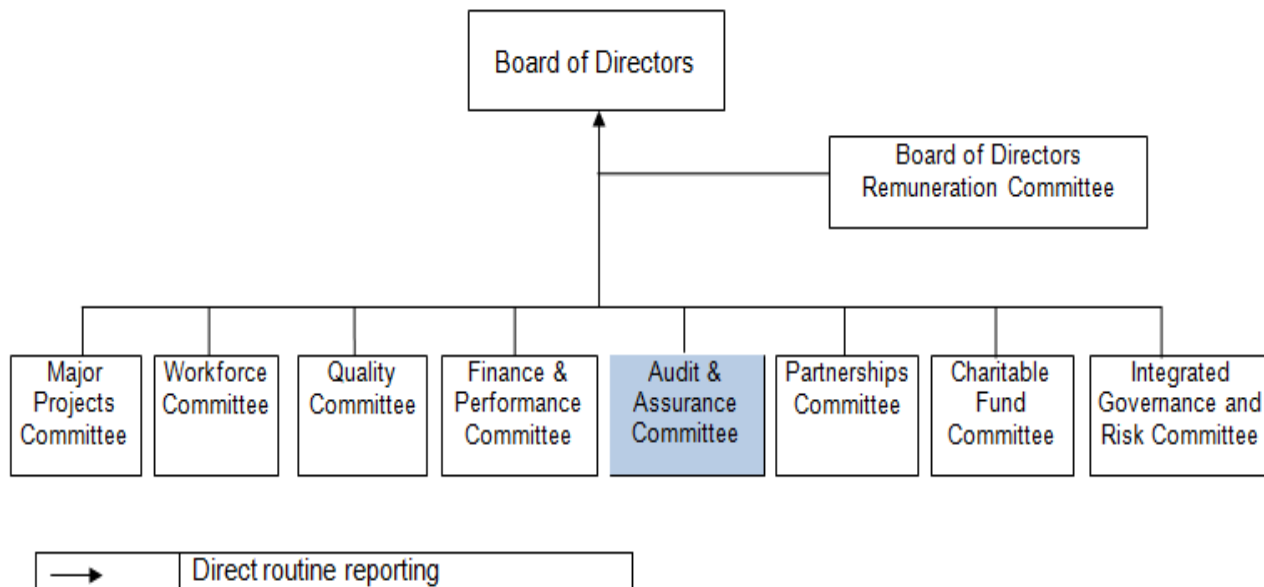
Barrie A Senior, FCA
Audit and Assurance Committee Chairman

October 2020

Appendix A

Audit & Assurance Committee

TERMS OF REFERENCE



The purpose of the Audit and Assurance Committee is to provide an independent and objective view of internal control to Board of Directors and the Accountable Officer. It provides assurance regarding the comprehensiveness and the reliability of assurances on governance, risk management, the control environment and the integrity of financial statements.

Trust Strategic Objectives		Committee Role
1	To provide outstanding care for patients	Assure effective governance
2	To deliver our financial plan and key performance targets	Assure effective governance
3	To be in the top 20% of employers	Assure effective governance
4	To be a continually learning organisation	Assure effective governance
5	To collaborate effectively with local and regional partners	Assure effective governance

Version	Issued to	Date	Comments	Review date
01	Audit and Assurance Committee	30/10/18		30/10/18
02	Audit and Assurance Committee	04/12/18		04/12/18
03	Board of Directors	10/01/19		10/01/19
04	Audit and Assurance Committee	05/02/19		05/02/19

1. Authority, Accountability and Responsibility

1.1 The Trust Board of Directors hereby resolves to establish a Committee of the Board to be known as the Audit and Assurance Committee ('the Committee').

1.2 The Committee is a standing committee of the Trust's Board ('the Board'). Its constitution and terms of reference shall be as set out below, subject to amendment at future Board meetings.

1.3 The Committee is authorised by the Board to act and investigate any activity within its terms of reference. All members of staff are directed to co-operate with any request made by the Committee.

1.4 The Committee is authorised by the Board to instruct professional advisers and request the attendance of individuals and authorities from outside the Trust with relevant experience and expertise if it considers this necessary or expedient to the exercise of its functions

1.5 The Committee shall embed the Foundation Trust's vision, standards, priorities and requirements, e.g. equality and human rights, through the conduct of its business.

1.6 The requirements for the conduct of business as set out in the Foundation Trust Board's Standing Orders are equally applicable to the operation of the Committee.

2. Purpose and objectives

2.1 The purpose of the Audit and Assurance Committee is to provide an independent and objective view of internal control to Board of Directors and the Accountable Officer.

2.2 The objective of the Committee is to provide assurance on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control, with a view to enabling the Board to assure itself of the effectiveness of the Trust's risk management system and procedures and its internal controls including business continuity and information technology.

3. Principal Duties

The Committee will advise the Board and Accountable Officer on:

3.1 Integrated governance, risk management and internal control

The Committee will review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the Trust's activities (clinical

and non-clinical), that supports the achievement of the Trust's objectives. In particular, the Committee will review the adequacy and effectiveness of:

- All risk and control related disclosure statements (in particular the Annual Governance Statement), together with any accompanying Head of Internal Audit opinion, External Audit opinion or other appropriate independent assurances, prior to submission to the Board of Directors
- The underlying assurance processes that indicate the degree of achievement of the Trust's objectives, the effectiveness of the management of principal risks and the appropriateness of the above disclosure statement
- The policies and procedures for ensuring compliance with all relevant regulatory, legal and code of conduct requirements and any related reporting and self-certifications
- The policies and procedures for all work related to counter fraud, bribery and corruption as required by NHSCFA.

In carrying out this work the Committee will primarily utilise the work of Internal Audit, External Audit, other Board Committees and other assurance functions, but will not be limited to these sources. It will also seek reports and assurances from directors and managers as appropriate, concentrating on the over-arching systems of integrated governance, risk management and internal control, together with indicators of their effectiveness. This will be evidenced through the Committee's use of an effective assurance framework to guide its work and the audit and assurance functions that report to it.

As part of its integrated approach, the Committee will have effective relationships with other key committees so that it understands processes and linkages.

3.2 Internal Audit:

The Committee shall ensure that there is an effective Internal Audit function that meets the *Public Sector Internal Audit Standards, 2017* and provides appropriate independent assurance to the Committee, Accountable Officer and Board of Directors. This will be achieved by:

- Considering the provision of the Internal Audit service and the costs involved
- Reviewing and approving the strategic and annual Internal Audit plan, ensuring that this is consistent with the audit needs of the organisation as identified in the assurance framework.
- Considering the major findings of Internal Audit work (and management's responses) Ensuring coordination between the Internal and External Auditors to optimise the Trust's use of audit resources
- Ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the Trust
- Monitoring the effectiveness of Internal Audit and carrying out an annual review.

3.3 External Audit:

The Committee shall review and monitor the External Auditors' independence and objectivity and the effectiveness of the external audit process. In particular, the Committee will review the work and findings of the External Auditors and consider the implications and management's responses to, their work. This will be achieved by:

- Considering the appointment and performance of the External Auditors, as far as the rules governing the appointment permit (and make recommendations to the Board of Directors when appropriate)
- Discussing and agreeing with the External Auditors, before the audit commences, the nature and scope of the audit as set out in the External Audit annual plan
- Discussing with the External Auditors their evaluation of audit risks and assessment of the organisation and the impact on the audit fee

- Reviewing all External Audit reports, including the report to those charged with governance (before its submission to the Board of Directors) and any work undertaken outside of the annual External Audit plan, together with the appropriateness of management responses
- Ensuring that there is in place a clear and appropriate policy for the engagement of External Auditors to supply non-audit services.

3.4 Other assurance functions

The Committee shall review the findings of other significant assurance functions, both internal and external to the Trust, and consider the implications for the governance of the Trust. These will include, but will not be limited to, any reviews by Department of Health and Social Care arm's length bodies or regulators/inspectors - for example, the Care Quality Commission, NHS Resolution, etc. and professional bodies with responsibility for the performance of staff or functions - for example, Royal Colleges, accreditation bodies, etc.

The Committee will review the work of other Committees within the organisation, whose work can provide relevant assurance to the Audit and Assurance Committee's areas of responsibility.¹

3.5 Counter fraud

The Committee shall satisfy itself that the Trust has adequate arrangements in place for the prevention and detection of fraud, bribery and corruption that meet NHSCFA's standards and shall review the outcomes of work in these areas. The Committee shall refer any suspicions of fraud, bribery and corruption to the NHS Counter Fraud Agency.

The Committee shall receive and consider reports arising from quality inspections by the NHSCFA.

3.6 Management

The Committee shall request and review reports, evidence and assurances from Board Committees, directors and managers on the overall arrangements for governance, risk management and internal control. The Committee may also request specific reports from individual functions within the Trust.

3.7 Financial reporting and control

The Committee shall monitor the integrity of the financial statements of the Trust and any formal announcements relating to its financial performance. The Committee will ensure that the systems for financial reporting to the Board of Directors, including those of budgetary control, are subject to review as to the completeness and accuracy of the information provided. The Committee shall review the Annual Report and Financial Statements before submission to the Board of Directors, focusing particularly on:

- The Annual Governance Statement and other disclosures relevant to the terms of reference of the Committee
- The quality of financial reports
- Changes in, and compliance with, accounting policies, practices and estimation techniques
- Explanations for significant variances
- Unadjusted misstatements in the financial statements
- Significant judgements in preparation of the financial statements
- Significant adjustments resulting from the audit
- The letter of management representation

As regards Standing Orders and Standing Financial Instructions, the Committee shall:

¹ The memorandum of understanding attached at Appendix 1 describes the expectations in relation to the interaction between Board Committees and the Audit and Assurance Committee and how this will be carried out in practice.

- Seek assurance regarding the Trust's compliance with Standing Orders and Standing Financial Instructions
- Consider any proposed changes to Standing Orders and Standing Financial Instructions and, as appropriate, make recommendations to the Board.

The Committee shall review schedules of losses and special payments, and review single source tenders.

The Committee shall receive, consider and derive assurance from reports relating to the Trust Charitable Funds Committee with regard to governance, risk management, control, audit and financial reporting.

3.8 Whistleblowing / Freedom to Speak Up

The Committee shall review the effectiveness of the arrangements in place for allowing staff to raise (in confidence) concerns about possible improprieties in financial control and reporting, clinical quality, or patient or staff safety or other matters and ensure that any such concerns are investigated proportionately and independently.

4. Membership

4.1 The Chair of the Committee ("the Chair") shall be appointed by the Board of Directors from amongst its Independent, Non-Executive Directors and shall consist of not less than three members. The Chair should have a financial qualification.

4.2 The membership of the Committee shall comprise:

Title	Role
Non-Executive Director	Chair To ensure the Committee functions properly, that there is full participation during meetings, that all relevant matters are discussed and that effective decisions are made and carried out.
Non-Executive Director	Deputy Chair. To provide independent oversight and challenge
Non-Executive Director	To provide independent oversight and challenge
Attendees	
Director of Finance	To support the purpose and aims of the Committee and to agree decisions, actions and provide input and feedback on management issues related to the agenda and work-plan
Director of Governance and Corporate Affairs	To support the purpose and aims of the Committee and to agree decisions, actions and provide input and feedback on management issues related to the agenda and work-plan To support the Chair of the Committee in ensuring that the Committee functions properly
Accountable Officer	To discuss annually with the Committee the process for assurance that supports the Annual Governance Statement. He or she shall also attend when the Committee considers the draft Annual Governance Statement and, the Annual Report and Accounts
Representative(s) from Internal audit	To support the purpose and aims of the Committee and to agree decisions, actions and provide input and feedback on management issues related to the agenda and work-plan
Representative(s) from external	To support the purpose and aims of the Committee and to agree decisions, actions and provide input and feedback on management

Title	Role
audit	issues related to the agenda and work-plan
Assigned Local Counter Fraud Specialist	To support the purpose and aims of the Committee and to agree decisions, actions and provide input and feedback on management issues related to the agenda and work-plan
Other Executive Directors/Directors	To support the purpose and aims of the Committee and to agree decisions, actions and provide input and feedback on management issues related to the agenda and work-plan as required by the Committee

4.3 The membership of the Committee will be reviewed on an annual basis.

4.4 The Head of Internal Audit and lead representative of External Audit shall have a right of direct access to the Chairperson of the Committee

5. Quorum and attendance

5.1 A quorum shall consist of two of the three Independent members and one of the members will be appointed Chairperson of the Committee by the Board of Directors. The Chairperson of the Trust shall not be a member of the Committee. The assigned Local Counter Fraud Specialist will attend a minimum of two Committee meetings a year.

5.1 Members should attend at least 75% of meetings within any calendar year. Attendance will be monitored and addressed by the Chair.

5.2 Should any member be unavailable to attend, they may nominate a deputy, with full voting rights, to attend in their place subject to the agreement of the Chair.

5.3 The Committee may ask any of those who are in attendance but who are not members to withdraw to enable a full and frank discussion of particular matters.

5.4 Where the Committee is not quorate, the meeting should be rearranged within 2 weeks.

6. Frequency of meetings

6.1 The Committee will meet at least five times per annum and shall agree a schedule of meetings at least 12 months in advance. The Committee will consider and keep under consideration the frequency and timing of meetings needed to allow it to discharge all of its responsibilities. The Board of Directors, Accountable Officer, External Auditors or Head of Internal Audit may request of the Committee Chairperson an additional meeting if they consider that one is necessary.

6.2 At least once a year the Committee shall meet privately with the external and with the internal auditors.

6.3 At the request of the Chair, the Committee may hold meetings by telephone, video link or by email exchange. Normal rules relating to quoracy will apply to the functioning of such a meeting. These meetings will be deemed as standard meetings of the Committee and shall be documented accordingly.

7. Standing Items

- 7.1 Internal Audit Progress Reports
- 7.2 Counter Fraud Reports
- 7.3 Committee Assurance Reports
- 7.4 Exception Reports (losses, special payments and SSTs)
- 7.5 Board Assurance Framework
- 7.6 Matters to share with other Board Committees
- 7.7 Matters to Escalate to the Strategic Risk Register
- 7.8 Matters to Escalate to the Board of Directors
- 7.9 Items for Corporate Communications

8. Agenda and papers

- 8.1 The Director of Governance and Corporate Affairs will hold an agenda setting meeting with the Chair and/or the Deputy Chair at least 3 weeks before the meeting date.
- 8.2 The agenda will be based around the Committee's work plan, matters arising and requests from The Board of Directors, other Board Committees or the Committee's Sub-Committees to consider specific issues. Following approval, the agenda and timetable for papers will be circulated to all Committee members.
- 8.3 Agenda items along with accompanying papers to be submitted to the Committee secretary one week prior to meeting dates.
- 8.4 The agenda and papers for meetings will be distributed five working days in advance of the meeting.
- 8.5 The minutes, highlight report and action log will be circulated to members within seven days of the meeting to check the accuracy.
- 8.6 Members must forward amendments to the Committee secretary within the next seven days.

9. Reporting

- 9.1 The Committee Chair shall report formally, regularly and on a timely basis to the Board of Directors on the Committee's activities by:
 - Providing a written update report (including detailed commentary on the assurance received and risks identified in relation to the key controls identified within the Board Assurance Framework) following each meeting and the presentation of an annual report for each of its operational duties
 - The minutes of the Committee's meetings shall be formally recorded by the Secretary and submitted to the Board of Directors. The Chairperson of the Committee shall draw to the attention of the Board of Directors any issues that require disclosure to the full Board of Directors, or require executive action.
 - Bringing to the Board of Director's specific attention any significant matter under consideration by the Committee.

- Ensuring appropriate escalation arrangements are in place to alert the Foundation Trust Board Chair, Chief Executive or Chairs of other relevant Committees of any urgent/critical matters that may compromise the delivery of the Foundation Trust's Strategic Objectives.

9.2 Reporting to the Board of Directors at least 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 Trust
- The integration of governance arrangements
- The appropriateness of the evidence that shows the Trust is fulfilling all relevant regulatory requirements and obligations
- The robustness of the processes behind production of the Quality Accounts.

This Audit Committee Annual Report will also describe how the Committee has fulfilled its terms of reference and give details of any significant issues that the Committee considered and how they were addressed

9.3 If, through the course of Committee business an issue is raised which needs immediate escalation, or action taken, which is outside of the remit of the Committee this should be escalated to the appropriate Executive meeting, via the chair, for discussion and action.

9.4 The Committee shall undertake an annual self-assessment. It will report thereon to the Board of Directors

10. Secretarial support

10.1 Secretarial support will be provided through the Office of Governance and Corporate Affairs.

11. Review

11.1 The Committee shall undertake an annual self-assessment. It will report thereon to the Board of Directors.

11.2 These terms of reference and operating arrangements shall be reviewed on at least an annual basis by the Committee for approval by the Board of Directors

12. Links to other groups

12.1 The Committee, through its Chair and members, shall work closely with the Board's other Committees to provide advice and assurance to the Board of Directors through the:

12.1.1 Joint planning and co-ordination of Board and Committee business.

12.1.2 Sharing of Information through consistent reporting to the Board of Directors and other Board Committees, both by exception and in routine reports.

12.2 In doing so, the Committee shall contribute to the integration of governance across the organisation, enabling the incorporation of all sources of assurance into the Board's overall Board Assurance framework.

12.3 The Committee, may, subject to the approval of the Board of Directors, establish task and finish groups to carry out on its behalf specific aspects of Committee business.

Appendix 1: Memorandum of Understanding relating to the relationship between the Audit and Assurance Committee and other Board Committee

The Audit and Assurance Committee will receive

- The Terms of Reference of each Board Committee
- The Agenda and Minutes of each Board Committee
- A short report on business conducted
- The Board Assurance Framework and associated strategic risks

The Audit and Assurance Committee will use

- The internal audit work plan
- The data quality work plan
- Existing documentation in relation to risk management and annual planning processes
- Occasional observation of Committees as agreed at the Audit and Assurance Committee

With the purpose of answering the following key questions in relation assurance associated with the conduct and function of Board Committees:

With the purpose of answering the following key questions in relation assurance associated with the conduct and function of all Board Committees:

- 1) Is there clear ownership and responsibility for all areas of the Board Assurance Framework across Board Committees?
- 2) Is there clear ownership of all strategic risks scored equal to or greater than 12 across Board Committees?
- 3) Are Committees receiving robust assurance that all risks scored equal or greater than 12 relevant to their terms of reference are being effectively managed?
- 4) Is there clear ownership and responsibility for the clinical strategy (including supporting strategies and delivery plans) across the Committees)?
- 5) Are there effective processes in place to construct and maintain the Board Assurance Framework?
- 6) Are there effective processes in place to maintain the clinical strategy and supporting strategies?
- 7) Are processes in place in the organisation to ensure that risks are identified in the organisation and escalated as appropriate to the strategic risk register?
- 8) Does the annual planning process align to the strategy, strategic risk and the Board Assurance Framework?
- 9) Is there evidence that Committees are covering all their responsibilities in their meeting cycles?
- 10) Are there codified and well understood approaches to assurance being applied consistently by Committees?
- 11) Are data being used by Committees for evidence both accurate and timely?