



Bradford Hospitals Charity

Final Report to the Board of Trustees Meeting on the 31 March 2021 Audit

14 January 2022

Contents

Our final report

Introduction	3
Responsibilities of the Charitable Funds Committee	4
Our audit explained	5
Significant risks summary	6
Covid-19	9
Other audit findings	10
Purpose of our report and responsibility statement	13

Appendices

Audit Adjustments	15
Our responsibilities explained	16
Our approach to our audit quality	17
<u>Independence and fees</u>	<u>19</u>

Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Board of Trustees of Bradford Hospitals Charity for the 20/21 audit.

I would like to draw your attention to the key messages included in this report:

Status of the audit

We have now completed our audit and we would like to thank the finance team for cooperation during the entire process.

Subject to receipt of the signed financial statements, the signed letter of representations and bringing out our review of post balance sheet events up to date we are in a position to issue our audit opinion.

Conclusions from our testing

- The significant risks identified in relation to the audit are: revenue recognition of legacies and management override of controls. Further detail on our response is included on pages 6 to 8.
- We have considered the impact of the Covid-19 pandemic on our work, see page 9.
- We have communicated a number of presentational and disclosure changes to management and a small number of adjustments, which have now been corrected by management.
- We reported our findings to the Charitable Funds Committee on 11th January 2022 and have issued this final ISA 260 report following completion of the outstanding audit procedures highlighted in our previous report.
- Upon completion of procedures, we identified three additional recommendations the details of which are provided in Page 10 onwards.
- We expect to issue an unmodified audit report.

Paul Hewitson
Engagement Lead

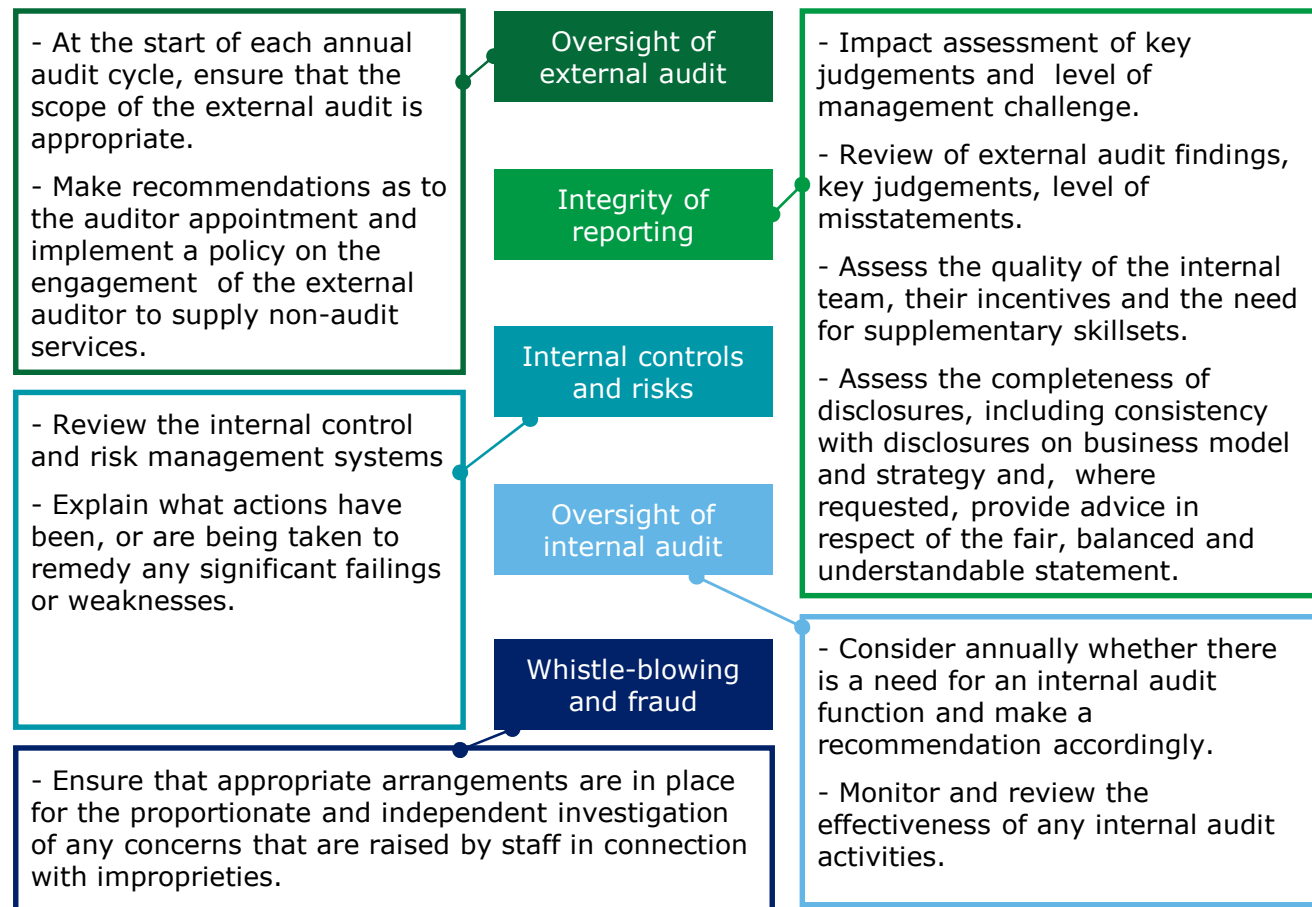
Responsibilities of the Charitable Funds Committee

Helping you fulfil your responsibilities

The primary purpose of the Auditor's interaction with a Charitable Funds Committee:

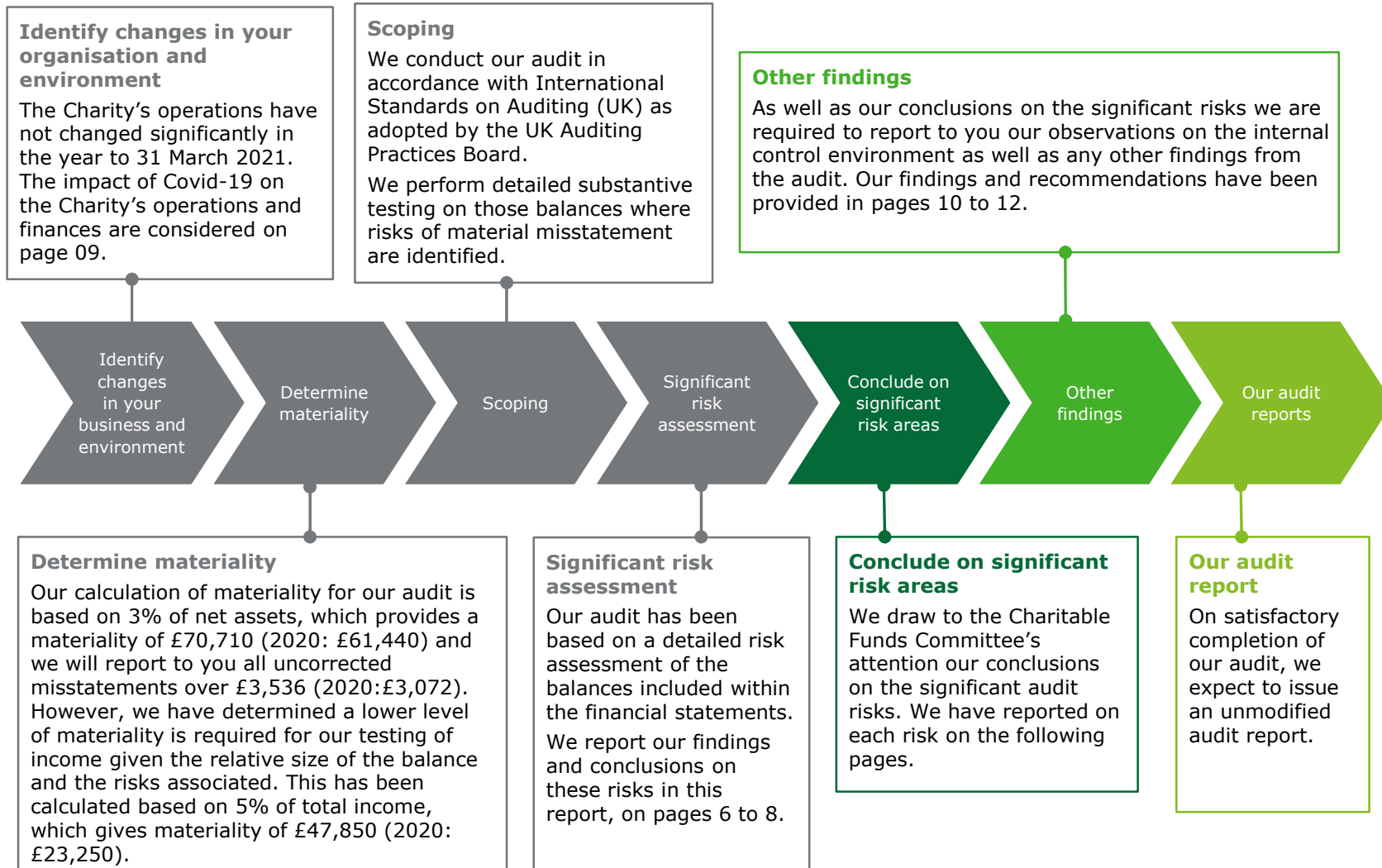
- Clearly communicate the planned scope of the financial statements audit
- Provide timely observations arising from the audit that are significant and relevant to the Committee's responsibility to oversee the financial reporting process
- In addition, we seek to provide the Committee with additional information to help them fulfil their broader responsibilities

As a result of regulatory change in recent years, the role of a Charitable Funds Committee has significantly expanded. We set out here a summary of the core areas of the Committee's responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Charitable Funds Committee in fulfilling its remit.









Our audit explained

We tailor our audit to your business and your strategy



Significant risks summary

Dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations	Page no.
Income recognition - legacies			Satisfactory		7
Management override of controls			Satisfactory		8

Overly prudent, likely to lead to future credit      Overly optimistic, likely to lead to future debit.

D+I: Assessing the design and determining the implementation of key controls

Significant audit risks

Revenue recognition - Legacies

Risk identified

International Standard on Auditing (UK) 240 The auditor's responsibility to consider fraud in an audit of financial statements requires us to presume a risk of fraud in relation to income recognition. We consider that the key risk for the Charity is whether legacy income is complete.

Practice Note 11 The Audit of Charities in the United Kingdom issued by the APB and revised in November 2017 identifies that "Whilst it is the trustees' responsibility to safeguard the assets and income of the charity, the voluntary nature of some elements of its income raises considerations concerning the methods available to trustees for the purposes of ensuring that all income to which the charity is entitled are correctly accounted for."

Based on our understanding of the cash handling processes and controls, we have not identified a significant risk in relation to the cash received on the hospital wards. The risk around completeness relates primarily to legacies being notified but not yet received as this involves elements of judgement to determine when recognition criteria have been met.

Deloitte response

We focused specifically upon the risk of completeness of legacy income, especially around legacies notified but not yet received.

To address the significant risk identified, we performed the following procedures:

- tested the design and implementation of key controls that address the identified risks around the legacy income of the Charity; and
- carried out detailed testing of legacy income through a sample of items selected from legacy documentation, official receipts or other source documentation from throughout the financial year and tracing through to the ledger to confirm recognition and completeness of income.

Conclusion

We have not identified any issues to report.

Significant audit risks (continued)

Management override of controls

Risk identified

In accordance with ISA (UK) 240 The auditor's responsibilities relating to fraud in an audit of financial statements, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although the level of this risk will vary from entity to entity, the risk is nevertheless present in all entities and therefore a presumed risk for all our audits.

Deloitte response

Our work focussed on assessing the overall control environment and 'tone at the top' of the Charity, as well as reviewing specific key controls to assess the risk of management override. In addition, we focussed our procedures on the following areas:

Journals

We used the Deloitte Analytics tools to identify those journals which display characteristics of audit interest or exhibit indicators of fraud to assess whether they are appropriate, supported by evidence and in line with our understanding of the organisation. We held discussions with management and reviewed documentation to support the reason for each sampled journal. Additionally, we considered whether each sampled journal had been posted in accordance with the Charity's financial procedures.

Accounting estimates

We conducted a review of accounting estimates for bias that could result in material misstatement due to fraud, including evaluation of whether the judgements and decisions made by management, even if they are individually reasonable, indicated a possible bias. In addition, we performed a retrospective review of management judgements and assumptions reflected in the financial statements of the prior year.

Significant transactions

We have performed inquiries with the finance team and procedures performed through out the audit , we have not been made aware of any unusual or one-off transactions, including those with related parties during the year.

Conclusion

We did not identify any other unusual transactions or estimates from our testing of journals and accounting estimates posted throughout the year.

Covid-19

Implications for going concern

Impact of Covid-19

The Covid-19 pandemic continues to have a significant impact on life and business in the UK. The pandemic has led to an increased interest from regulators, auditors, and users of the accounts on the appropriateness of the Going Concern assumption made by Directors/Trustees.

Management prepared a detailed income and expenditure budget for five years in July 2019 for FY 2019/20 to FY 2023/24. An update to the budget for 20/21 was approved in July 2020. We understand the underlying models are kept up to date to continually assess the financial viability going forwards. Management have provided their cash flow forecasts for the going concern assessment period .

Responsibility for making an accurate Going Concern judgement, and considering the need to flag in the accounts any material concern or uncertainty in relation to this judgement, lies with the Trustees. The Trustees are aided by the regular assessments prepared by management. As the Going Concern judgement considers 12 months from the date of signing, the Trustees should ensure they consider budgets and cash flow forecasts covering that period ahead of signing. As auditors, it is our responsibility to test and assess the appropriateness of the Going Concern judgement and flag in our audit opinion if we have any material concerns.

The Charity maintained a reasonable level of income since the start of lockdown, and came into the pandemic with reasonable cash reserves. We performed the following procedures:

- Reviewed the cash flow forecast to understand the key assumptions and their appropriateness;
- Obtained the latest available management accounts at the signing date and compare them to the budget for the same period, to assess management's budgeting accuracy; and
- Reviewed minutes from the Board of Trustees meetings to observe their review of management's assessment.

Conclusion

Our assessment is complete and we have not identified any material concerns. We consider the disclosure to be reasonable and appropriate.

Other audit findings

Internal control and risk management

During the course of our audit we have identified internal control and risk management findings, which we have included below for information.

Area	Observation	Management responses	Priority
Review of internal financial controls	<p>Trustee's Should perform a review of the financial controls at least annually as per the guidance taken from the below link that suggest that in order for a charity to achieve its aims, its trustees need to ensure that its internal control environment is operating effectively.</p> <p>The Charity and Trustees do not currently perform a review of internal financial controls, however it is noted that the majority of controls are in line with the general procedures of Bradford Hospitals' Foundation Trust, whose controls are regularly reviewed by senior management and internal audit. However the trustees should regularly review the controls using the Checklist.</p> <p>https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8</p>	<p>The Charity has a range of policies which set out the majority of control mechanisms in place.</p> <p>The policies are reviewed and approved by Trustees annually.</p>	●
Limitations in Harlequin	<p>Harlequin does not record the date a journal was entered on the system, which limits managements' ability to retrospectively review the journals.</p> <p>We recommend the charity to explore the possibilities of introducing the dates in Harlequin system</p>	<p>The Charity will work with Harlequin to recommend that journal dates are entered on the system.</p>	●
Review of year end creditors	<p>A number of creditors have been raised in relation to transactions around year end based on purchase orders submitted rather than any goods being received. A liability should be recognised when goods or service performance obligations of supplier have been completed. It is recommended that year end creditors be reviewed to record liabilities based on performance obligations.</p>	<p>The Charity has amended the annual accounts for the creditors raised based on purchase orders. Going forward processes will be amended to ensure creditors are raised as and when goods are delivered or service obligations are completed</p>	●

Other audit findings

Internal control and risk management

During the course of our audit we have identified internal control and risk management findings, which we have included below for information.

Area	Observation	Management responses	Priority
Review of Internal audit activity	It has been noted that no internal audit activity has been carried out in the current and previous year. CC8, Guidance on internal financial controls for Charities issued by the Charity Commission, requires Trustees to consider whether internal audit coverage is required. It is therefore recommended as a matter of good practice for the Trustees to consider annually the need to review internal audit activities for the Charities.	Internal Audit currently carry out an audit on the Charity's controls every three years. The last audit which took place last financial year provided assurance to the Trustees that there were significant overall controls. The Trustees will review the frequency of the audit in line with the recommendation provided by Deloitte and CC8.	●
Maintenance of risk register	It is noted that there is a Risk Management Policy for the Charity as described in the Annual Report. However there is no formal risk register maintained and reviewed for the Charity. To ensure better governance and monitoring of risks, it is recommended that a formal documentation process to record, monitor and review the risks be put in place and placed before the CFC for their review.	A risk register will be maintained and reviewed by the Charity Operational Committee and reported to the CFC.	●
Limitations of Harlequin systems - Review of Journal transactions	<p>It is noted that there is a manual process to approve the journals before they are being posted to the Harlequin system. This is due to the limitation of the Harlequin system whereby no separate approval process can be initiated.</p> <p>It is recommended that a list of journal entries recorded should be reviewed and approved together with the management accounts pack. This should also include all adjustments made as part of the year-end process.</p>	Journals are currently approved within the Harlequin system however it is not currently possible to extract a report demonstrating this approval. As such as manual sign off is provided for audit evidence. The Charity will seek to amend the Harlequin reports to include evidence of journal approval if this is not possible journals entries will be reviewed as recommended.	●

Other audit findings

Internal control and risk management

During the course of our audit we have identified internal control and risk management findings, which we have included below for information.

Area	Observation	Management responses	Priority
Management paper on going concern	It has been observed that there is no separate paper prepared and presented by the Management for Going concern assessment.		
	Budgets were approved under the five year financial plan, reviewed on an annual basis and management accounts are presented to the Committees. At the year end as part of the approval of the annual accounts, the disclosures within the Annual report is reviewed and approved by the Trustees.	The Charity will ensure a going concern assessment is completed alongside submission of the annual accounts.	●
	It is recommended that a management paper together with cash flow forecasts be prepared on an annual basis for going concern consideration by the Trustees at the time of approving the annual accounts.		
Authorisation of staff lottery payments to the Trust	It has been observed that as part of the Charity's 50/50 staff lottery programme, 50% of the funds received from the staff lottery is paid back to the Trust. It is noted that there is no written agreement to evidence this arrangement by the Charity with Bradford District Care Trust and Bradford Teaching Hospitals Foundation .	Annual approval of the staff lottery payment is obtained from the Trust Fund Holder which is currently Mel Pickup. The controls for approving Trust Fund Holders is set out in the Charity policy which is approved annually. This policy will be reviewed to ensure appropriate controls are in place to manage Trust Fund Holders and approval of recurring payments.	●
	It is recommended that on an annual basis the payment be approved by the Charitable Funds Committee and authorisation for the Chief Executive Officer as fund holder be renewed annually.		
The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.			Low Priority
			Medium Priority
			High Priority

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Trustees discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements.

Our report includes:

- Results of our work on key audit judgements; and
- Our internal control observations.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

Use of this report

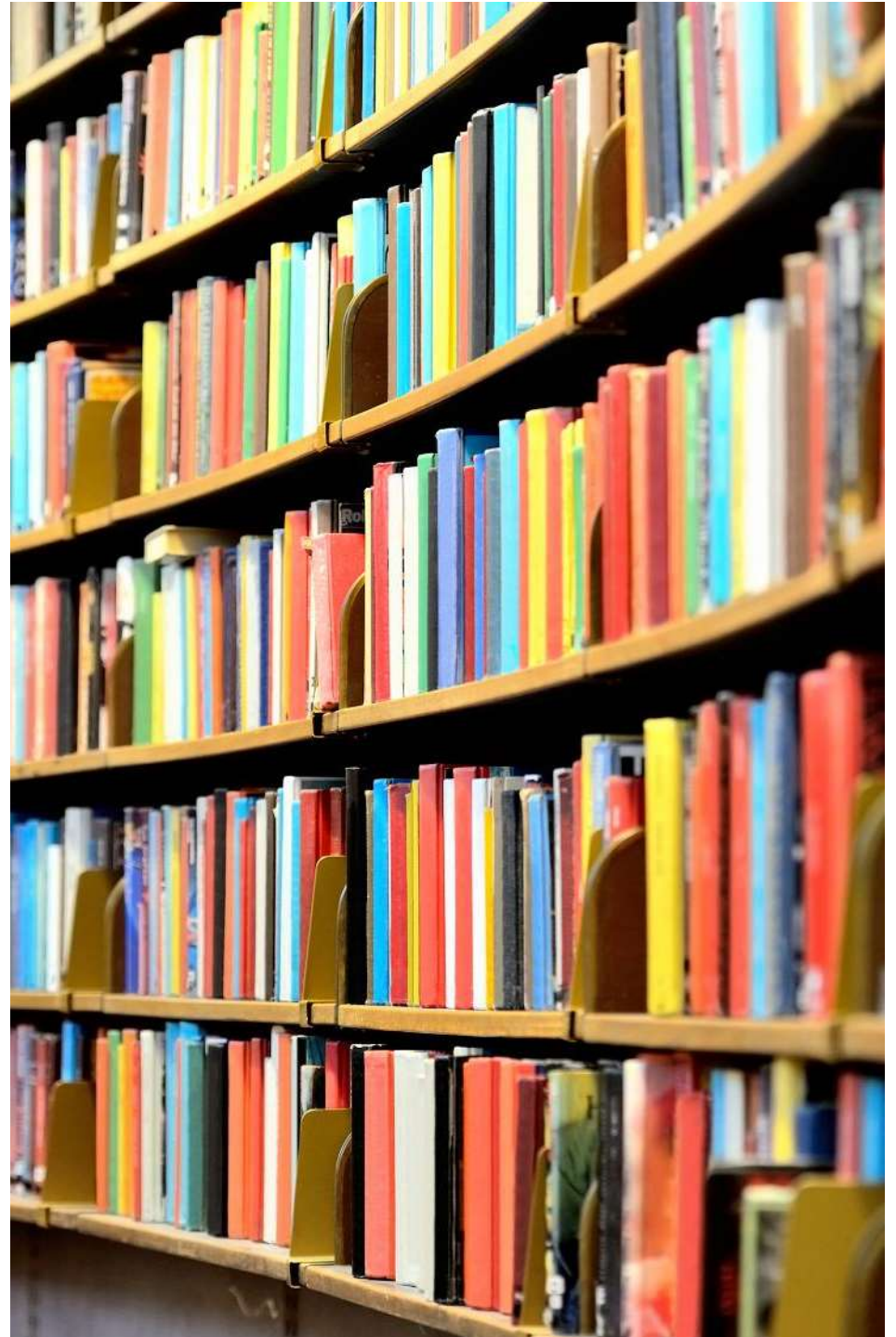
This report has been prepared for the Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.



Paul Hewitson

for and on behalf of Deloitte LLP
Leeds 14 January 2022

Appendices



Appendix 1 : Audit adjustments

Unadjusted misstatements

As part of our audit we identified a small number of audit adjustment, as well as a number of presentational and disclosure deficiencies which have subsequently been corrected by management.

Appendix 2: Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We will ask the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the charity.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the risk of fraud in income recognition and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance around the risks of fraud at the Charity and the Charity's controls to mitigate these. In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We will explain in our audit report (for all entities subject to audit) how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Appendix 3 : Our approach to quality

AQR team report and findings

Executing high quality audits remains our number one priority. We are committed to our critical public interest role and continue to embed our culture of quality and excellence into all of our people. This includes using new technology and tools to continue to transform our audit approach.

In July 2021 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2020/21 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, overall FRC inspection results, showing an improvement since last year from 76% to 79% of all inspections assessed as good or needing limited improvement, reflect the progress we are making. The overall profile of our ICAEW inspections and our internal inspection programme also show a similar overall improvement since last year.

The results for the inspections of FTSE 350 entities fell short of our overall scores, reflecting specific findings on those

particular audits rather than issues pervasive across other audits. Our objective continues to be for all of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard.

We agree with and accept the FRC's findings on the individual inspections. The FRC has recognised improvements following the actions and programmes for previous years and we welcome the good practice points raised, including in respect of impairment and revenue where individual findings continue to occur.

Overall, we are pleased that there have been no significant findings over our firm wide processes and controls over the last three inspection cycles in the areas subject to rotational review by the FRC. However, we are continually enhancing our processes and controls across our business and such changes will directly or indirectly affect audit quality.

All the AQR public reports are available on its website.
<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

Appendix 3: Our approach to quality contd..

AQR team report and findings

The AQR's 2020/21 Audit Quality Inspection Report on Deloitte LLP

"We reviewed 19 individual audits this year and assessed 15 (79%) as requiring no more than limited improvements. Of the 11 FTSE 350 audits we reviewed this year, we assessed eight (73%) as achieving this standard".

"Our key findings related primarily to the need to:

- Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets.
- Enhance the consistency of group audit teams' oversight of component audit teams.
- Strengthen the effectiveness and consistency of the testing of revenue."

"The firm has taken steps to address the key findings in our 2019/20 public report, with actions that included increasing the extent of consultations, and enhanced learning, coaching and support programmes.

We have identified improvements, for example, in the extent of challenge of management by audit teams in respect of the estimates used for model testing. This was identified as a key finding last year.

We also identified good practice in a number of areas of the audits we reviewed (including robust procedures relating to going concern and evidence to support the challenge of management in areas of key judgement) and in the firm-wide procedures (including establishing a centre of excellence focused on credit for banking audits to encourage the consistent application of the firm's methodology and guidance)."

Independence and fees

As part of our obligations under ISAs (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent, and our objectivity is not compromised.
Fees	<p>The base audit fees charged by Deloitte in the period to 31 March 2021 total £5,648 plus VAT. However, this does not cover additional work in relation to the scope of the audit including investments not covered within our fee quoted in tender. We will confirm the additional fee once our work has been completed.</p> <p>There were no non-audit services provided to the entity in this period.</p>
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the entity's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.



This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2021 Deloitte LLP. All rights reserved.