

Meeting Title	Board of Directors		
Date	14 July 2022	Agenda item	Bo.7.22.24

AUDIT COMMITTEE REPORT TO BOARD, 14 JULY 2022

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 matters covered in and relating to the Audit Committee meetings held on 24 May, 15 June and 21 June 2022		
Key control			
Action required	To note		
Previously discussed at/ informed by			
Previously approved at:		Date	

Key Options, Issues and Risks

See report attached

Analysis

See report attached

Recommendation

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

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Risk assessment						
Strategic Objective	Appetite (G)					
	Avoid	Minimal	Cautious	Open	Seek	Mature
To provide outstanding care for patients, delivered with kindness			g			
To deliver our financial plan and key performance targets			g			
To be one of the best NHS employers, prioritising the health and wellbeing of our people and embracing equality, diversity and inclusion					g	
To be a continually learning organisation and recognised as leaders in research, education and innovation				g		
To collaborate effectively with local and regional partners, to reduce health inequalities and achieve shared goals					g	
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 checked="" type="checkbox"/>	<input type="checkbox"/>
Quality implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resource implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legal/regulatory implications	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Diversity and Inclusion implications	<input type="checkbox"/>	<input type="checkbox"/>
Performance Implications	<input type="checkbox"/>	<input type="checkbox"/>

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

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NHS Improvement Effective Use of Resources: Choose an item.

Other (please state):

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

1 PURPOSE/ AIM

To provide an update regarding key matters covered in and relating to the Audit Committee meetings on 24 May, 15 June and 21 June 2022.

2 BACKGROUND/CONTEXT

The agendas of the meetings held on 24 May, 15 June and 21 June 2022 were driven by the 2021/22 Audit Committee Annual Workplan.

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

24 May meeting

- External Audit progress report
- Internal Audit progress report
- Follow Up of Internal Audit Recommendations
- Counter Fraud progress report
- Counter Fraud Annual Plan 22/23
- Board Assurance Framework
- High Level Risk Register
- Risk Management Strategy Update
- National Clinical Audit Annual Report 21/22
- Cyber Security update
- Draft Annual Governance Statement 21/22
- Draft Trust Annual Report 21/22

15 June meeting

- Internal Audit progress report
- Internal Audit Annual Report and Head of Internal Audit Opinion 21/22
- External Audit update
- Trust Annual Accounts update
- Third party assurance reports
- Annual Reports from Academies
- Trust Annual Report 21/22
- Trust Corporate Governance Statement

21 June meeting (items deferred from the 15 June Audit Committee meeting)

- ISA260 Report 21/22 – External Audit report to those charged with governance
- Trust Annual Accounts 21/22

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- Letter of Representation 21/22

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

4	Appendices
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Report included overleaf.

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Audit Committee Report to the Board, 14 July 2022

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 Committee meetings held on 24 May, 15 June and 21 June 2022.

2. Key Matters discussed

24 May meeting

- **External Audit progress report**

The Committee was advised that progress with the audit has been delayed due to staff illness. The auditor's ISA260 report was still expected to be available to the Committee before its 15 June meeting.

- **Internal Audit progress report**

Internal Audit reported that a further six audit reports had been completed since the February Audit Committee meeting, one providing High Assurance (H), five providing Significant Assurance (S):

- **BH/42/2022 Cyber Security (S)**

The objective of the audit was to provide assurance regarding the arrangements that the Trust has in place to test and assure its controls for the management of cyber risks in line with the National Cyber Security Centre's 10 steps to cyber security. Eight areas were allocated High Assurance and the remaining two Significant Assurance. Two moderate recommendations were raised and agreed.

- **BH/43/2022 Social Value & Sustainability (H)**

The objective of the audit was to ensure that the Trust is working towards full compliance with the Greener NHS Programme. The audit found that the Trust is making sustainability an integral part of its future. The audit resulted in one minor recommendation.

- **BH/44/2022 Payroll (S)**

The objective of this review was to provide assurance that there are adequate controls in place to ensure that payroll information is properly administered. The audit confirmed that this was the case, with only two minor recommendations.

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- **BH/45/2022 Capital Projects (S)**

The objective of this audit was to provide assurance that the Trust has adequate arrangements in place to ensure that capital projects are effectively controlled, organised and monitored. The review identified that the Trust has appropriate controls in place to manage the review and approval of business cases for the funding of capital projects. The controls surrounding the tendering processes are satisfactory. Project monitoring upon commencement of building works was found generally to be subject to appropriate governance oversight and scrutiny. The audit generated three moderate and three minor recommendations all of which have been completed or are due for completion before 31 July.

- **BH/46/2022 Recovery of Elective Services (S)**

The objective of this review was to provide assurance regarding the processes and controls in place to manage waiting lists and the prioritisation of surgical patients. The review excluded recovery of cancer services. The audit generated two moderate and one minor recommendation, all for completion on or before 30 September.

- **BH/47/2022 Follow Up of Internal Audit Recommendations (no rating)**

See below

- **BH/48/2022 Healthcare Support Worker: Recruitment and Development (S)**

The objective of this audit was to provide assurance that the Trust has an effective system in place to attract, maintain and develop Healthcare Support Workers. The audit confirmed that this was the case, with one Moderate and One Minor recommendation.

- **Follow Up of Internal Audit Recommendations**

The paper confirmed that 87 recommendations had been completed since the February Audit Committee meeting. There were currently 15 overdue recommendations without a revised target date and 20 recommendations outstanding with revised target dates. Internal Audit confirmed that in a recent benchmarking exercise the Trust was 'mid table' as regards internal audit recommendation completion.

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- Counter Fraud progress report**

The Committee noted the report. The Director of Finance confirmed that he has regular discussions with Counter Fraud to monitor developments. Counter Fraud confirmed that during 21/22 the Trust had complied with Counter Fraud Functional Standards.
- Counter Fraud Annual Plan 22/23**

The Committee considered and approved the plan.
- Board Assurance Framework**

The Committee complimented the Associate Director of Corporate Governance/ Board Secretary on her work to develop a simplified and clearer Board Assurance Framework (BAF) format and content. The Committee requested that each iteration of the BAF should include persuasive assurance that the BAF is complete and accurate. This should include reference to the work of Academies in reviewing and challenging, from their respective viewpoints, the content of the BAF, the assurance that it provides and the actions and timescales to address any shortcomings.

The Committee welcomed the plan by the Associate Director of Corporate Governance/ Board Secretary to produce a Trust Assurance Map to sit alongside the BAF.
- High Level Risk Register**

The Committee noted the register and the scrutiny to which it is subjected by executive management, the Academies and the Board. The Register, together with the review, challenge and update processes surrounding it, gave the Committee good assurance.
- Risk Management Strategy Update**

The Committee noted the further good progress made in refining and completing the Trust's Risk Management Strategy.
- National Clinical Audit Annual Report 21/22**

The Trust's Head of Quality Improvement and Clinical Outcomes and the AMD- Clinical Outcomes joined the meeting to provide an overview of the Trust's Clinical Audit work. The Trust had participated in 29 national clinical audits and two national confidential enquiries during 2021/22. Attention was drawn to the high priority clinical audits performed in 21/22 and the learning and improvements flowing from them.

The Committee noted the update and the assurance provided.

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- **Cyber Security update**

The Trust's Chief Digital & Information Officer (CD&IO) joined the meeting to provide a verbal update on cyber security, referencing the Significant Assurance Internal Audit report recently issued (see above). The Committee noted that, whilst the CD&IO had confidence in the Trust's relevant staff resources focused on cyber security, he felt that the Trust would benefit from the recruitment of an additional specialist resource.

- **Draft Annual Governance Statement 2021/22**

The Trust's Chief Executive, as the Trust's Accounting Officer, joined the meeting to present the draft Annual Governance Statement 2021/22 and answer any questions from the Audit Committee. The Chief Executive confirmed that the draft Annual Governance Statement was an accurate reflection of the operations of the Trust and its evolving governance and risk management arrangements during 2021/22.

- **Draft Trust Annual Report 2021/22**

The Committee noted the content of the draft report and the extensive and thorough process gone through to produce, review and refine the report. The final version of the report would be reviewed and approved at the 15 June Audit Committee meeting.

(note that on 30 May the Audit Committee members held a meeting with senior Finance personnel to explore the results of an analytical review by Finance of the draft Trust accounts 21/22. All required explanations were readily forthcoming.)

15 June meeting

- **Internal Audit progress report**

The Committee noted and gained assurance from Internal Audit's final progress report in respect of the 2021/22 Internal Audit Plan. The report summarised the results of the final five internal audit reviews, with one being allocated a High Assurance (H) rating and the remaining four Significant Assurance (S) opinions:

- **BH/49/2022 Recruitment and Retention (S)**

The objective of this audit was to provide assurance that the Trust has an effective governance structure for the management and oversight to deliver against the NHS People Plan. The audit generated one moderate recommendation.

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- **BH/50/2022 Quality Improvement Team (H)**

The objective of this review was to assess arrangements around the robustness and effectiveness of the processes undertaken by the Trust's Transformation Team and Quality Improvement Team. The audit confirmed that there are robust reporting and governance arrangements in place. One minor recommendation was generated.

- **BH/51/2022 E-Rostering: Junior Doctors (S)**

The objective of this audit was to provide assurance regarding the effective and efficient rostering of junior doctors covered by the E-Rostering System (Health Roster). The audit confirmed that sufficient training is provided to all staff required to create rosters to ensure that they can do so efficiently and safely. The audit generated two moderate and three minor recommendations

- **BH/52/2022 Act As One Transformation Programme Management (S)**

The objective of this review was to provide assurance regarding the arrangements in place relating to the Act As One Transformation Programme. This was a joint review in conjunction with Bradford District and Craven CCG. The audit which, as a joint audit, went into greater detail than normal, generated six moderate and six minor recommendations.

- **BH/53/2022 Data Security and Protection (DSP) Toolkit (S)**

The objectives of the audit were:

- To satisfy the annual requirement for an independent assessment of the DSP Toolkit submission
- To understand and help to address data security and data protection risk and identify opportunities for improvement

The review generated three 'Moderate' and three 'Minor' recommendations, which equate to a Significant Assurance opinion.

- **Internal Audit Annual Report and Head of Internal Audit Opinion 2021/22**

The Committee reviewed the Annual Report confirming the internal audit work performed during and in respect of 2021/22 and the results thereof. The Committee accepted the Head of Internal Audit Opinion that 'Significant assurance can be given that there is a good system of governance, risk management and

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internal control designed to meet the organisation's objectives and that controls are generally being applied consistently'. The Committee was satisfied to receive and approve the Head of Internal Audit Opinion.

- **External Audit update**

The Committee received and considered a draft ISA 260 'report for those concerned with governance' summarising the status of audit work in respect of the 2021/22 Trust financial statements. The Committee noted that some audit work, principally relating to capital expenditure and accruals, remained incomplete and prevented our external auditors from formally confirming an unmodified audit opinion. In the circumstances, it was agreed to convene an additional Audit Committee meeting, later confirmed as taking place on 21 June, to receive a final ISA report.

- **Trust Annual Accounts update**

It was noted that members of the Audit Committee had the opportunity of reviewing the draft accounts and obtaining explanations at a meeting on 30 May and being satisfied with the accounts, subject to the completion of the external audit. In view of the external audit work being incomplete, further consideration of the accounts was deferred to the meeting on 21 June.

- **Third Party assurance reports**

The Committee received and was assured by an Internal Audit report providing significant assurance regarding Bradford Payroll Services that performs payroll processing on behalf of the Trust.

The Committee received and was assured by a Service Auditor Report produced by PwC in respect of accounting systems supplied for the Trust by NHS SBS.

The Committee noted an early draft of a report prepared by an external consultant in respect of assurance regarding key clinical IT applications utilised by the Trust. Further discussion was required regarding this report prior to considering it at the July Audit Committee meeting.

- **Annual Reports from Academies**

The Committee reviewed the annual reports prepared by the Chairs of the Finance & Performance, People, and Quality & Patient Safety Academies and was satisfied that they demonstrated Academies' compliance with their respective terms of reference during 2021/22.

- **Trust Annual Report 21/22**

The Committee concluded on the detailed and thorough process by which the Trust Annual Report had been prepared. It was assured by the process and resolved that it was able to recommend approval and adoption to the Board.

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- **Trust Corporate Governance Statement**

The Committee reviewed the documented responses in respect of the eight aspects of Licence Condition FT4(8), confirming the adequacy of governance structures and activities within the Trust. The Committee resolved to recommend Board approval of the FT4 self certification.

21 June meeting (items deferred from the 15 June Audit Committee meeting awaiting completion of External Audit work)

- **ISA260 Report 21/22 – External Audit report to those charged with governance**

The Committee considered the final version of the ISA 260 report in respect of the audit of the Trust Accounts 2021/22. The report confirmed that our external auditors were able to express an unmodified audit opinion in respect of the accounts. The report contained a detailed analysis of unadjusted audit misstatements arising principally from differences of opinion between the Trust's financial management and our external auditors. The unadjusted audit misstatements resulted, in aggregate, to a £4.1m understatement of net income and a £0.1m understatement of net assets, both of which fall substantially below Deloitte's audit materiality of £10.7m.

The Committee approved the ISA 260 report and resolved to recommend approval to the Board.

- **Trust Annual Accounts 2021/22**

Reflecting on earlier scrutiny of the draft accounts and the results of the external audit, the Committee resolved to recommend Board acceptance and approval of the accounts.

- **Letter of Representation 2021/22**

The Committee reviewed and considered the draft letter of management representations required by the external auditors from Trust management. The Committee was pleased to note that the requested letter contained only 'standard' representations required in respect of any audit and none of a Trust-specific nature. The Committee resolved to recommend Board acceptance and issue of the letter.

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

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None.

4 Recommendation

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

Barrie Senior
Audit Committee Chairman

23 June 2022