

CONFIRMED AUDIT COMMITTEE MEETING MINUTES

Date:	Wednesday, 15 th June 2022	Time:	10:00-11:00
Venue:	MS teams meeting	Chair:	Barrie Senior, Non-Executive Director
Present:	Non-Executive Directors: <ul style="list-style-type: none"> - Mr Barrie Senior, Non-Executive Director, Chair (BAS) - Mr Jon Prashar, Non-Executive Director (JP) - Ms Julie Lawreniuk, Non-Executive Director (JL) - 		
In Attendance:	<ul style="list-style-type: none"> - Mr Matthew Horner, Director of Finance (MH) - Mr Michael Quinlan, Deputy Director of Finance (MQ) - Mr Paul Hewitson, Deloitte (PH) - Mr Nick Rayner, Deloitte (NR) - Mrs Karina Rogers, Audit Yorkshire (KR) - Ms Helen Higgs, Audit Yorkshire (HH) - Mr Jonathan Hodgson, Audit Yorkshire (JH) - Mr Richard Maw, Counter Fraud, Audit Yorkshire (RM) - Ms Laura Parsons, Associate Director of Corporate Governance/Board Secretary - Ms Jacqui Maurice, Head of Corporate Governance 		

No.	Agenda Item	Action
A.6.22.1	Apologies for Absence Ms Sughra Nazir, Non-Executive Director	
A.6.22.2	Declarations of Interest There were no declarations of interest noted.	

Section 2: Internal Audit and Counter Fraud

2a Audit Yorkshire

A.6.22.3	Annual Report and Head of Internal Audit Opinion 2021/22 The paper was previously discussed at the Audit Committee on the 24 th May 2022. The committee noted the minor changes made since the previous version was reviewed and thanked Internal Audit for their hard work throughout the past year. The Audit Committee approved the paper.	
A.6.22.4	Internal Audit Progress Report 2021/22 The paper was previously discussed at the Audit Committee on the 24 th May 2022. KR presented the final progress report for the financial year 2021/22 which included five finalised reports, three with significant assurance, one with high level assurance and the Data Security & Protection Toolkit which provides medium level assurance because of the way this area is reported on. These reports complete the full amended plan. KR highlighted the following points from the five finalised reports: <ul style="list-style-type: none"> • <u>Recruitment & Retention BH/49/2022</u>: Overall significant assurance. Quite a few of the audit areas provided with a high level of assurance. 	

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	<p>One recommendation has been agreed with the Director of HR. Internal Audit will be scrutinising the ICB plan and how this impacts on individual organisations reporting at a higher level and feeding back to Audit Committees. This review focused on the NHS people plan and how the governance levels work in the organisation. Next year's review will include recruitment in terms of practice and process and what the Trust is doing regarding people planning.</p> <ul style="list-style-type: none"> • <u>Quality Improvement Team BH/50/2022</u>: High level of assurance gained with one minor recommendation agreed. • <u>E-Rostering, Junior Doctors BH/51/2022</u>: Over the last 12 months work has been ongoing to add junior doctors to the E-Rostering system which is progressing well. Overall significant assurance gained with a couple of recommendations which have been discussed with the team to take forward. • <u>Act as One transformation programme management BH/52/2022</u>: Progress had been made since the last report in May contributing to significant assurance. This was a more detailed review than usual between the Bradford CCG and Bradford Teaching Hospitals NHS Foundation Trust due to the budget available. • <u>Data Security & Protection Toolkit BH/53/2022</u>: This review takes place every year and includes the self-assessment the Trust has to undertake. The Trust has achieved an overall 'medium level of assurance' which equates to 'significant assurance' in Internal Audit. There are a couple of actions which are due for completion before the external submission deadline at the end of June. <p>The Audit Committee noted the paper and the assurance provided.</p>	
Section 3: External Audit		
3a Deloitte		
A.6.22.5	<p>ISA 260 – Foundation Trust</p> <p>The agenda item was previously discussed at the Audit Committee on 24 May 2022. Due to a combination of work outstanding and the late arrival of the paper the Committee agreed that they were unable to approve the document at this meeting. It was agreed that an Extraordinary Audit Committee meeting should be arranged to consider the ISA 260, final annual accounts and draft letter of representation prior to the Board meeting on 21 June 2022.</p> <p>PH provided an update on the latest position. The following provides a summary of the key points discussed:</p> <ul style="list-style-type: none"> • <u>Testing of capital additions</u> - Evidence is outstanding in respect of six out of ten capital additions to prove that they were received in year. There is significant concern held over the Cerner addition of £2.9m that occurred at year-end although components of that had been received pre 31 March. The document doesn't provide a clear breakdown of the costs and the finance team will be providing the information required to External Audit. <p>MQ confirmed that the goods received notes, pre 31 March 2022, in Oracle have now been uploaded to the (Deloitte) Connect system. Work is still ongoing with third party suppliers to collect goods received notes for</p>	<p>Head of Corporate Governance A22(1)001</p>

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	<p>verification. There is £10.8M of PDC in the year for capital additions with £2.9M relating to the Cerner transaction.</p> <p>MH confirmed that evidence has been submitted for six out of ten capital additions and further work is ongoing. The Finance team will continue to chase the suppliers for the third party evidence if required but it was hoped that the internal receipts would suffice at this stage. The updated ISA 260 will be discussed further at the extra-ordinary Audit Committee meeting to be scheduled.</p> <p>JP queried the Cerner tolerance level regarding materiality and asked for further clarification. PH noted that it relates to the evaluation of the error based on the sample basis and a subsequent extrapolation. The materiality level is set at around £10m and the sampling methodology allows us to have errors up to 70% of that without having to do further work. Assuming everything else comes in clean but Cerner is 100% wrong the extrapolated error on capital additions is 68% of materiality which puts it on the right side of the line. PH felt there was confidence within the Finance team to provide the evidence to get the error rate down to avoid doing further testing.</p> <p>PH continued his reporting:</p> <ul style="list-style-type: none"> • <u>IFRS 16 disclosure:</u> An initial calculation had been received which showed the methodology to be correct but the lease terms did not match. A further more detailed review has been received from the Finance team which still needs to be reviewed by Deloitte. PH felt assured that would not raise any issues. • <u>Remuneration report:</u> PH reported that the fair pay multiples disclosures report excluded agency staff. The finance team have provided an updated report to Deloitte which included this required information. • <u>Deferring income:</u> A couple of open points are still outstanding on this item and it is anticipated that this will be closed off soon. • <u>Completion of internal quality control procedures:</u> Work is ongoing to tidy up the file. • <u>Management Representation Letter:</u> This letter will be presented at the Board meeting on 21 June 2022 for sign off. The draft will be discussed at the Extraordinary Audit Committee. • <u>Status of Value for Money work:</u> Work is undertaken to ensure satisfaction in relation to any significant weaknesses relating to value for money. Further documentation is required from the Finance team (CQC inspection plan and recent A&E day case assessment) but PH felt that there were no significant weaknesses identified at this point that would need highlighting in his report. He confirmed that the VFM report will be issued approximately 3 months after the accounts sign off. • <u>Annual Report and Annual Governance Statement:</u> PH confirmed that he had no further comments to add and was happy with these reports. • <u>Significant risks around capital additions:</u> Three errors have been noted (excluding the Cerner issue). <ol style="list-style-type: none"> 1. £2.1M overstatement on capital additions which relates to all the major projects being run through Tilbury Douglas 2. A judgemental error on prudence relating to the maternity theatres scheme spend • Costing of £299,000 for a trailer for a mobile MRI scanner which has not 	

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	<p>yet been received and is expected in August</p> <ul style="list-style-type: none"> • <u>Overwriting controls check</u>: This is a standard risk included within the report and there are no causes for concern. • <u>Control environment recommendations</u>: The annual leave accrual for consultants is a new recommendation based on data from previous years. The recommendation from Deloitte is that we move to current data rather than relying on historic data. BAS drew attention to the wording in the final bullet point under the IT recommendations section relating to the Service Auditor Reports (SARs). He noted that he had seen two reports in recent times although not an up to date version. PH noted the comment. • <u>Unadjusted misstatements</u>: PH talked through the errors listed within the slide which totals £3.4m credit to our income statement. • <u>Financial statements</u>: Final checks are being undertaken by Deloitte with slight changes to some wording noted. <p>The committee noted that the external auditor will write to confirm that the Auditors report on value for money will follow after the accounts have been signed rather than before.</p> <p>The Audit Committee noted the ISA260 and the updates provided to date and agreed that this item will be discussed further at the next Extraordinary Audit Committee.</p>	<p>External Audit A22(1)002</p>
3b Foundation Trust responses (by Exception)		
Section 4: Foundation Trust		
4a Is Financial Governance and its associated controls effective?		
A.6.22.6	<p>Final Annual Accounts 2021/22</p> <p>The Committee agreed to defer this item to the next Extraordinary Audit Committee.</p>	
A.6.22.7	<p>Draft Letter of Representation 2020/21</p> <p>The Committee agreed to defer this item to the next Extraordinary Audit Committee.</p>	
A.6.22.8	<p>Third Party Assurance</p> <p>MQ advised that an up to date Cerner report was still awaited but he had received a draft report from Nautilus which he shared with the Committee. The Committee felt that the payroll report provides significant assurances and the SBS report provides assurance around Oracle for the financials. BAS felt that the Cerner report will impinge upon the expected final Nautilus report. Further work is scheduled within the next couple of months and this item will be further discussed at the July Audit Committee meeting.</p>	
4c Corporate Governance		
A.6.22.9	<p>Annual reports from Academies</p> <p>The Committee took the reports as read. Discussion took place around the assurance and scrutiny the Academies provide. JL confirmed that each Academy uses its workplan throughout the year as a guide to gain assurance. A detailed review of each of the Academies has recently taken place and it was felt that the larger attendance at these meetings prompted more detailed discussions. It was also noted that the recent work on</p>	

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	<p>improving the BAF and risk profiles provides additional assurances. KR confirmed that as part of the Internal Audit Plan for 2022/23 a review of organisational governance and the effectiveness of the Academies will take place which will in turn provide further assurances.</p> <p>BAS suggested that a paragraph be added to each report to provide assurance that the Academies have reviewed all relevant items as outlined in their terms of reference and work plan.</p> <p>The Audit Committee noted the reports and the assurance provided.</p>	<p>Board Secretary A22(1)003</p>
A.6.22.10	<p>Final Annual Report 2020/21</p> <p>The Committee took the report as read. LP confirmed that we have responded to comments received from the external auditors as appropriate. The Trust has responded in full to the guidance. There is still the outstanding area with regard to the remuneration report which may need to be updated prior to the annual report being submitted to the Board for approval.</p> <p>The Audit Committee confirmed its approval and recommendation to the Board to sign off the annual report subject to the changes discussed above.</p>	
A.6.22.11	<p>Corporate Governance Statement</p> <p>LP provided an overview of the statement and the appendices. She drew attention to the section on continuity of service which refers to the previous 12 months and should refer to the coming 12 months. An updated declaration will be provided to the Board on 21 June 2022 for sign off.</p> <p>The Audit Committee confirmed its approval and recommendation to the Board to sign the self-certification document subject to the amendment discussed above.</p>	
Section 5: Audit and Assurance Committee Governance		
A.6.22.12	<p>Any Other Business</p> <p>JH provided an update on the implications of place and ICS on organisations Audit Committees from an Internal Audit perspective. He confirmed over the next year an interaction between the ICB Audit Committee and individual organisational Audit Committees will take place on how to disseminate some of the findings that happen at ICB audit level down to individual organisations.</p>	
A.6.22.13	<p>Matters to share with the other committees</p> <p>The Academy annual reports will be updated as discussed at A.6.22.9</p>	
A.6.22.14	<p>Matters to escalate to Strategic Risk Register</p> <p>There was nothing to escalate.</p>	
A.6.22.15	<p>Matters to escalate to the Board of Directors</p> <p>Items discussed within the meeting will be reported to the Board on 21 June 2022</p>	
A.6.22.16	<p>Date and time of next meeting:</p> <ul style="list-style-type: none"> Extraordinary AC meeting, tbc 	

No.	Agenda Item	Action
	<ul style="list-style-type: none">• 26 July 2022, 2-5pm MS teams• 11 October 2022, 2.5pm MS teams	

Action log from the Audit Committee Meeting held 15 June 2022

Meeting date	Agenda reference	Agenda item	Lead	Review date	Comments/update
15.6.22	A.6.22.5	ISA 260 – Foundation Trust It was agreed that an Extraordinary Audit Committee meeting is arranged to consider the ISA 260, final annual accounts and draft letter of representation prior to the Board meeting on 21 June 2022.	Head of Corporate Governance A22(1)001	June 2022	Meeting arranged for 21.6.22. <u>Action closed.</u>
15.6.22	A.6.22.5	ISA 260 - FM Report The committee noted that the external auditor will write to confirm that the Auditors report on value for money will follow after the accounts have been signed rather than before.	External Auditor A22(1)002	July 2022	Deloitte has advised that they will issue the auditors annual report once they have completed their VFM work. As indicated on the ISA 260 provided at the 21 June meeting, the VFM work is planned to conclude by mid-September. <u>Action to remain open until the October meeting of the AC.</u>
15.6.22	A.6.22.9	Annual reports from Academies BAS suggested that a paragraph be added to each report to provide assurance that the Academies have reviewed all relevant items as outlined in their terms of reference and work plan	Board Secretary A22(1)003	July 2022	Paragraph added to the academy annual reports. <u>Action closed</u>