

<b>Meeting Title</b>	<b>Board of Directors</b>		
<b>Date:</b>	<b>21 September 2023</b>	<b>Agenda item</b>	<b>Bo.9.23.17</b>

## AUDIT COMMITTEE REPORT TO BOARD, 21 SEPTEMBER 2023

<b>Presented by</b>	Matthew Horner, Director of Finance		
<b>Author</b>	Barrie Senior, Non-Executive Director and Audit Committee Chairman		
<b>Lead Director</b>	Matthew Horner, Director of Finance		
<b>Purpose of the paper</b>	To provide an update to Board regarding matters covered in and relating to the Audit Committee meeting held on 12 September 2023		
<b>Key control</b>			
<b>Action required</b>	For assurance		
<b>Previously discussed at/ informed by</b>			
<b>Previously approved at:</b>		<b>Date</b>	
<b>Key Options, Issues and Risks</b>			
See attached report			
<b>Analysis</b>			
See attached report			
<b>Recommendation</b>			
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 our 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 type="checkbox"/>	<input checked="" type="checkbox"/>

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

Regulation, Legislation and Compliance relevance
<b>NHS England: (please tick those that are relevant)</b>
<input type="checkbox"/> Risk Assessment Framework <input type="checkbox"/> Quality Governance Framework <input type="checkbox"/> Code of Governance <input type="checkbox"/> Annual Reporting Manual
<b>Care Quality Commission Domain:</b> Choose an item.
<b>Care Quality Commission Fundamental Standard:</b> Choose an item.
<b>NHS England Effective Use of Resources:</b> Choose an item.
<b>Other (please state):</b>

Relevance to other Board of Director's academies: (please select all that apply)			
People	Quality & Patient Safety	Finance & Performance	Other (please state)

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<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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<b>1</b>	<b>PURPOSE/ AIM</b>
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To provide an update to Board regarding key matters covered in and relating to the Audit Committee meeting held on 12 September 2023.

<b>2</b>	<b>BACKGROUND/CONTEXT</b>
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The agenda of the Audit Committee meeting held on 12 September 2023 was driven by and derived from the 2023/24 Audit Committee Annual Workplan.

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

- External Auditor's Annual Report 2022/23 and Certificate of Completion
- Response to External Audit Sector Development recommendations (ISA 260)
- Internal Audit Annual Report and Head of Internal Audit Opinion 2022/23
- Internal Audit Progress Report 2023/24
- Follow Up of Internal Audit Recommendations
- Counter Fraud Progress Report
- Board of Directors Standing Orders
- Assurance regarding key IT systems – progress report
- Assurance regarding Data Quality – progress report
- Assurances regarding third party provision of key functions to the Trust
- Assurance regarding compliance with Risk Management Strategy
- Clinical Audit Annual Report 2022/23
- Clinical Audit High Priority Workplan 2023/24
- Freedom to Speak Up (FTSU) Annual Report and Effectiveness of FTSU Arrangements
- Conflicts of Interest Annual Report 2023
- Draft Audit Committee Annual Report July 22 to June 23
- Audit Committee Annual Self-Assessment 2023
- 2023 Annual Review of Audit Committee Terms of Reference

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

<b>4</b>	<b>Appendices</b>
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See the attached report.

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## **Audit Committee Report to the Board, 21 September 2023**

### **1. Introduction**

The purpose of this paper is to inform the Board of Directors of the key matters discussed and considered, in accordance with the Audit Committee's 2023/24 workplan, during and in relation to the Committee meeting held on 12 September 2023.

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

- External Auditor's Annual Report 2022/23 and Certificate of Completion

The Committee noted the following.

The final audited Trust accounts for the year ending 31 March 2023 were approved by a subset of the Board, including the Audit Committee Chairman, on 12 July 2023. At that time, the Auditors could not formally conclude upon the entirety of the audit until they had completed work in respect of the Trust's arrangements for securing economy, efficiency, and effectiveness in its use of resources. That work was subsequently completed, and the Auditors issued the Auditors Annual Report and Audit Certificate.

In order to comply with the deadline for laying the Trust Accounts before Parliament, the Report and Certificate were circulated on 7 September to Audit Committee members, who had no comments and recommended Board approval. The Report and Certificate were circulated to all other Board members on 11 September, with a deadline for comments and queries of 13 September.

- Response to External Audit Sector Development recommendations (ISA 260)

The draft external auditors' ISA260 Report following the completion of the audit raised a number of matters within the Sector Developments section of the Report in respect of which the Committee requested in this meeting to receive an update on management responses to the matters raised.

The matters raised covered:

- The new Code of Governance, which took effect on 1 April 2023
- A new 'Minimum Standard' regarding the role of Audit Committees with respect to external audit
- The Financial Reporting Council (FRC) consultation on changes to the UK Corporate Governance Code
- Guidance regarding streamlining of NHS Charitable Funds
- The NHS Payment Scheme and the finalisation of contracts with the Trust's commissioners
- Trust consideration of the FRC Corporate Reporting commentary and recommendations.

The Committee noted the progress made regarding each of the above and requested a further, more detailed report at the 21 November Audit Committee meeting.

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- Internal Audit Annual Report and Head of Internal Audit Opinion 2022/23

The Committee received, considered and approved Internal Audit's formal end-of-year report for 2022/23.

The report formally confirmed the Head of Internal Audit's overall opinion providing "Significant Assurance that there is a good system of internal control designed to meet the Trust's objectives, and that controls are generally being applied consistently."

The report summarised:

- Internal Audit's conformance with Public Sector Internal Audit Standards
- The delivery of the 2022/23 Internal Audit Plan, after a number of Committee-approved modifications, with the expenditure of the planned 580 audit days
- Internal Audit's meeting or exceeding key performance indicator targets in respect of draft report issuance, management response to draft reports, issue of final reports, and receiving 'good' or 'very good' management feedback in respect of each audit.
- The assurance levels achieved for each of the audit reviews performed during the year:
  - 10 High Assurance opinions.
  - 23 Significant Assurance opinions.
  - 2 Limited Assurance opinions (previously reported upon: IT Systems and Software Management, and Safer Procedures; NatSSIPs.
  - 4 reviews not warranting an assurance rating.

Attached to the Report were summaries of the final four audit reviews from the 2022/23 Internal Audit Plan that were finalised after the 23 May Audit Committee meeting:

- Demand Management; Including Referral Management and Waiting Lists Management (Significant Assurance)
  - Management of Patient Flow – Command Centre (High Assurance)
  - Clinical Services Unit (CSU) Governance Structures (Significant Assurance)
  - Complaints Handling (Significant Assurance)
  - Internal Audit Progress Report 2023/24
- Internal Audit reported that five audit reviews from the 2023/24 Internal Audit Plan had been completed since the 23 May Audit Committee meeting:
- Infection Prevention and Control; Blood Stream Infections (High Assurance)

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- Payroll (Significant Assurance)
- Policy Management (High Assurance)
- Clinical Audit – Control Improvement Audit (CIA) Stage 1

CIA's are given rating in respect of 'adequacy of controls' and 'deployment of controls'. This audit resulted in a Red/Amber rating for adequacy and an Amber rating for deployment. The audit resulted in eleven agreed audit recommendations, all for completion by or before 31 December.

- Data Quality (Significant Assurance)

The Committee noted that three further audit reports were at a draft stage:

- Staff Suspension (Significant Assurance)
- Management of To Take Out Medication (Significant Assurance)
- Patient Safety; Sepsis Management (Limited Assurance)

As regards the Sepsis Management audit, the Committee recognised that the report was still in draft, and that the opinion may yet change. The Committee expressed provisional concern and looked forward to receipt of the final report. The Committee asked that the Quality and Patient Safety and the Finance and Performance Academies be informed of progress with, and the outcome of, the audit.

The Committee considered and approved proposals for certain audit reviews to be deferred, cancelled or added by reference to the previously agreed 2023/24 Internal Audit Plan.

- Follow Up of Internal Audit Recommendations

The Committee noted the significant reduction in the overall number of overdue actions in response to Internal Audit recommendations, and with no 'Major' recommendations now outstanding.

- Counter Fraud Progress Report

The Committee noted and derived assurance from the report, which covered:

- Hold to Accounts – Current and Concluded Investigations.
- Inform and Involve activity, including newsletters, masterclasses, staff induction briefings.
- Prevent and Deter activity.
- Strategic Governance – progress regarding counter fraud related policies and procedures

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- Board of Directors Standing Orders

The Committee considered the proposed amendments to the Standing Orders and resolved to recommend Board approval thereof.

- Assurance regarding key IT systems – progress report

The Chief Digital & Information Officer reported that progress recently had been delayed due to resourcing constraints. He undertook that solid progress would be made prior to, and reported on at, the 21 November Audit Committee meeting.

- Assurance regarding Data Quality – progress report

The Chief Digital & Information Officer referred to the recently completed Significant Assurance Internal Audit report on data quality. The Committee gained (re)assurance from this and from his reporting on:

- recent progress to improve data quality in the areas of postnatal discharge, postnatal PBR, Maternity Treatment Function Codes, and Neck of Femur Fracture
- priority focus areas now to be addressed: Ward 5 Ward Attenders, Speech & Language Therapy, EPR Engagement, and Paediatric Respiratory Failure.
- The intention to pursue a rolling programme to focus on prioritised areas to determine and, where necessary, improve data quality.

- Assurances regarding third party provision of key functions to the Trust

The Committee noted:

- The assurance provided by the Service Auditor Report and opinions prepared by PwC in respect of NHS Shared Business Services, upon which the Trust relies for finance and accounting systems.
- The decision, after several years when independent assurance was provided to and by Bradford District Care Trust (BDCT) in respect of their payroll processing on behalf of BTHFT, not to repeat the exercise this year. BDCT had taken the view that prior years' assurances are still valid.
- The provision by Cerner of a latest Service Auditor Review report in respect of their Electronic Patient Record system is still awaited.

- Assurance regarding compliance with Risk Management Strategy

The Committee received, considered and was assured by a report reiterating the key elements of the Trust's Risk Management Strategy and explaining compliance therewith. The Committee noted plans to implement training for relevant Trust staff further to improve risk management effectiveness.

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The Committee noted once again the Significant Assurance opinion provided by Internal Audit in respect of Board Assurance Framework/Risk Management Framework in March/April 2023.

- Clinical Audit Annual Report 2022/23

The Committee discussed the report, which was previously approved by the Clinical Outcomes Group and by the Quality & Patient Safety Academy, with the Associate Director of Quality. The Committee noted its contents.

- Clinical Audit High Priority Workplan 2023/24

The Committee discussed the plan with the Associate Director of Quality and noted its contents. The Committee was reassured that the plan had been approved by the Clinical Outcomes Group and was to be approved by the Quality & Patient Safety Academy at its meeting on 27 September.

- Freedom to Speak Up (FTSU) Annual Report and Effectiveness of FTSU Arrangements

The Committee noted the report, which had previously been approved by the People Academy and by the Board.

- Conflicts of Interest Annual Report 2023

The Committee noted the report and recognised the assurance that it provides as to a high level of compliance that is significantly in excess of that in the majority of other local hospital trusts.

- Draft Audit Committee Annual Report July 22 to June 23

The Committee Chairman presented a draft Annual Report which, it was agreed, should be presented to the Board for approval.

- Audit Committee Annual self-Assessment 2023

The Committee reflected upon its prior use of the self-Assessment Checklists provided within the HFMA Audit Committee Handbook and concluded that they continue to form a strong basis upon which to perform this year's assessment. However, a new edition of the Handbook, incorporating the implications of the Health and Care Act 2022, is due for publication "in late Autumn". In light of this, it was agreed to postpone the self-assessment until the new edition of the Handbook is available.

- 2023 Annual Review of Audit Committee Terms of Reference

The Committee reviewed the small number of proposed changes to the terms of reference and agreed to recommend Board approval of the changes.

The Committee noted that sight of the upcoming new version of the HFMA Audit Committee Handbook may prompt the need for further changes to the Terms of Reference.



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### 3. Other matters

#### 3.1 Matters to share with other Academies/Committees

None.

#### 3.2 Matters raised in the meeting to escalate to Corporate Risk Register

None.

#### 3.3 Other matters to escalate to the Board of Directors

None.

### 4. Recommendation

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

Barrie Senior  
Audit Committee Chairman

15 September 2023