

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

MINUTES OF A VIRTUAL AUDIT COMMITTEE MEETING HELD ON MONDAY 17 APRIL 2023

AT 9 AM

(held virtually via Microsoft Teams)

- Present:** Mr M Williams - Non-Executive Director (Chair)
Ms V Bailey - Non-Executive Director, and Chair of the Quality Committee
Mr S Harris - Non-Executive Director, and Chair of the Finance and Investment Committee
Mr B Patel - Non-Executive Director, and Chair of the People and Culture Committee
- In Attendance:** Ms L Barbrook – Head of Contacts and Performance (for Minutes 21/23/1 and 21/23/2)
Mr J Brown - External Audit (KPMG)
Ms B Cassidy - Director of Corporate and Legal Affairs
Ms K Ceesay – Associate Director of Peoples Services and Transformation (for Minutes 21/23/1 and 21/23/2)
Ms J Clarke - Local Counter Fraud Specialist (360 Assurance)
Ms K Henry - External Audit (KPMG)
Ms L Hooper - Chief Financial Officer
Mr R Manton - Head of Risk Assurance
Ms K Meats - Internal Audit (360 Assurance)
Ms A Moss - Corporate and Committee Services Officer
Ms J Robinson - Internal Audit (360 Assurance)
Mr M Simpson - Director of Estates, Facilities and Sustainability (for Minutes 21/23/1 and 21/23/2)
Mr D Streets - Head of Procurement & Supplies

RESOLVED ITEMS

16/23 APOLOGIES FOR ABSENCE

There were no apologies for absence.

17/23 QUORUM

The meeting was confirmed to be quorate.

18/23 DECLARATIONS OF INTERESTS

Mr S Harris, Non-Executive Director, declared his role as Director of Trust Group Holdings Ltd. As this was judged to be a non-pecuniary interest, the Audit Committee agreed that he should remain present.

19/23 MINUTES

Resolved – that the Minutes of the 10 February 2023 Audit Committee be confirmed as a correct record.

20/23 MATTERS ARISING REPORT

The Committee received a summary of the matters arising from the 10 February 2023 Audit Committee meeting and outstanding matters arising from previous meetings.

Resolved – that any updates provided at this meeting be reflected in the next iteration, and any required actions be taken by the appropriate named leads.

21/23 ITEMS FOR EXPLORATION

21/23/1 Update to 360 Assurance Audit of E&F 'Time and Attendance System

Further to the report made in December 2022, the Director of Estates and Facilities and Head of Contracts and Performance updated the Committee on the actions to address findings of the Internal Audit report on the Time and Attendance System (paper C).

It was noted that progress had been made, including changes to the recording of sickness absence and rotas for staff. There would be a management of change process to move staff onto new contracts under Agenda for Change.

Errors in recording time and attendance were being monitored and training and support directed accordingly. The intention was to reduce the reliance on paper and manual systems by ensuring staff used the Electronic Staff Record and an electronic rostering system was under consideration

The Audit Committee, Non-Executive Director Chair questioned whether the focus should be on the longer-term actions rather than interim solutions. The Head of Contracts and Performance noted the point. However, she considered the training on recording time and attendance supported the payroll function in the short-term. The Director of Estates and Facilities noted that investment was needed to support an e-rostering system and work, which would take some time, was underway to scope the project.

Mr S Harris, Non-Executive Director, asked what the barrier was for staff accessing electronic systems. The Head of Contracts and Performance noted that a number of staff in the Directorate did not have an email account or access to computers. The Assistant Director of People Services and Transformation added that staff needed to be moved onto new contracts as a prerequisite to accessing the Electronic Staff Record.

Ms V Bailey, Non-Executive Director, noted that the staff who were on legacy contracts joined the Trust in September 2022 and there should be a more robust approach to ensure contracts were updated. The Director of Estates and Facilities reported that the Directorate was undergoing a staffing restructure that would conclude in October 2023. This restructure would grant responsibility allowances and retention benefits to ensure effective delivery of the services.

The Audit Committee requested a further report noting the timescales for actions.

DEF

Resolved – that (A) the report be noted, and

(B) a further report, detailing timescales be presented to the Audit Committee.

DEF

21/23/2

Transactional Services Transformation – Delivery Assurance

The Assistant Director of People Services and Transformation presented paper D which provided an update on the actions from the audit undertaken by Price Waterhouse Cooper in 2022. The audit had reviewed HR and payroll processes, controls, and systems.

Progress in digitalising processes, revising recruitment practices and centralising and standardising arrangements for bank shifts was noted. The Assistant Director presented the Operational People Services Strategic Map which set out the high-level transformation ambitions for 2023 - 2025. The Associate Director noted risks to achieving the ambition. Whilst staff were undertaking business as usual, they were also addressing a backlog of legacy issues and involved in scoping and implementing new processes. There was a need for additional capacity, to embed the appropriate expertise within teams, and clarify the contractual arrangements with the payroll provider.

The Audit Committee, Non-Executive Director Chair asked about the likelihood of further issues coming to light. The Associate Director noting that it was possible, commented that the leadership was more aware of the areas where further exploration was needed. She added that the voluntary disclosure to HMRC regarding the lease cars had been resolved and a further disclosure made regarding accommodation. Mr B Patel, Non-Executive Director noted that the People and Culture Committee was overseeing the transformation programme for People's Services.

The Audit Committee, Non-Executive Director Chair asked whether the staff were supportive of the changes being made. This was confirmed.

Ms V Bailey, Non-Executive Director, reflecting on the need to increase capacity to support the transformation, cautioned of the risks in using temporary staff and the potential to lose organisational memory.

Mr S Harris, Non-Executive Director, asked whether the existing contract with the payroll provider had been extended. The Associate Director considered that it would be unwise to change supplier until the position had been stabilised. The plan was to roll-over the contract for a 12-month period.

The Committee requested a further report, with the timeframe to be determined by the Associate Director.

**Assoc Dir
PS &T**

Resolved – that (A) the report be noted, and

(B) that a report be made to a future meeting.

**Assoc Dir
PS &T**

21/23/3 Data Quality Assurance Group Update

The Chief Information Officer presented paper E which provided assurance regarding the function of the Data Quality Assurance Group (DQAG) and an update on work undertaken between October 2022 and March 2023.

The Group's membership was drawn from subject matter experts in the Trust (rather than the data owners) to provide an objective assessment of data quality. It assessed the data reported to the Trust Board and external agencies, to ensure it was high quality, timely and accurate.

The report set out the work undertaken in the last six months to review data quality for Key Performance Indicators.

The Audit Committee Non-Executive Director Chair asked how the Trust was assured that the data was captured consistently. The Chief Information Officer reported that there were national standards for each metric and the Group would assess whether the Trust was compliant.

In response to a question from Ms V Bailey, Non-Executive Director, about potential concerns, the Chief Information Officer noted that digitalisation was adding to the data being collected and there was a wider question about whether the Trust was reviewing the right metrics. In addition, there were legacy IT systems, such as the Patient Administration System that created problems with respect to data capture.

CIO

It was agreed to receive bi-annual reports from DQAG and for the Chief Information Officer to escalate any issues by exception.

Resolved – that (A) the report be noted, and

(B) that the Committee receive 6 monthly reports on the work of the Group.

CIO

21/23/4 21/22 Annual Report and Annual Governance Statement

The Director of Corporate and Legal Affairs presented the draft Annual Report and Governance Statement (paper F). A further iteration addressing the observations made by Internal Audit with respect to queries around remuneration and pensions would be presented to the extraordinary meeting on 27 April 2023.

Resolved – that the report be noted.

21/23/5 Corporate Governance Guidance

The Director of Corporate and Legal Affairs presented the report on changes to guidance on governance which had been published by NHS England (paper G). A self-assessment against the guidance would be reported to the next ordinary meeting of the Audit Committee.

The Audit Committee Non-Executive Director Chair asked whether there were significant changes. The Director noted that was not the case and that some changes applied to Foundation Trusts. The guidance was helpful in acknowledging the establishment of Integrated Care Systems.

Mr B Patel, Non-Executive Director welcomed the reference to Equality, Diversity and Inclusion for director-level recruitment but wondered whether it would be difficult to achieve greater representation given the small number of suitably qualified candidates.

Resolved – that the report be received.

21/23/6 Board Assurance Framework and Risk Management

The Head of Risk Assurance presented the report on the Board Assurance Framework (BAF) (paper H) noting that it had undergone several iterations in the last twelve months as the content and structure developed. Since the last report the strategic risks on the BAF had been reviewed at the relevant Committees. The BAF had been reviewed by Internal Audit as part of its Head of Internal Audit Opinion work, in addition to their governance audit review.

The Head of Risk Assurance noted that there were 349 risks open on the operational Risk Register of which 46 had a risk score of 20. The majority of risks were rated moderate or high. Performance in reviewing risks had improved, and training and guidance provided to Risk Owners. A new Risk Register was being developed and the themes would be aligned to the BAF.

It was noted that the Risk Committee had been established in March 2022 to provide a confirm and challenge process for operational risks. The need to improve attendance at the committee meetings was noted.

Mr S Harris, Non- Executive Director, asked about the 155 risks that were over two years old and whether they should be the ones that required greater focus. The Head of Risk Assurance noted that many of these risks reflected the need for capital or infrastructure development. However, they would be reviewed by the Risk Committee, and it was likely some of them would be closed.

The Audit Committee, Non-Executive Director Chair asked how consistency across the Clinical Management Groups (CMGs) was achieved. The Head of Risk Assurance noted that the Risk Committee ensured that the risks were reviewed by the Executive Directors. The Chief Financial Officer added that the risks were also considered as part of the Performance Review Meetings with the CMGs.

The Audit Committee noted that there had been significant progress in developing the BAF and received good assurance.

Resolved – that the report be received.

21/23/7 Progress on Management Response to Statutory Recommendations

The Chief Financial Officer updated the Committee on the progress made in addressing the statutory recommendations in relation to the '*Audit of Accounts 2019/20 – Financial Reporting, Governance and Financial Sustainability*' as presented to Audit Committee in January 2021 (paper I).

The closed actions were listed at Appendix 1 and the Committee considered the four remaining actions. With respect to action no.3 and training in the organisation, the Chief Financial Officer noted that considerable work had been done to provide training, and the

training for non-finance staff was due to go live shortly. With respect to action no.5, it was noted that the Trust Board had completed its review of procedures and the action complete. The actions in respect of accounts preparation (no.7) were noted.

The Committee considered action no. 9 *'The Trust Board should agree with its Commissioners, NHS England and Improvement to return the Trust to a long term sustainable financial position'* needed to be seen in the context of changes since the recommendation was made and development of Integrated Care Systems. It was noted that UHL's financial plan needed to be congruent with the System's financial strategy.

The Chief Financial Officer noted that the Integrated Care System was commissioning a piece of work to look at the current level of funding and assess whether it was underfunded. She noted that whilst the level of funding was a consideration, there was a need to address the fall in productivity.

Resolved – that the report be noted.

21/23/8 Contracts Management

The Head of Procurement and Supplies presented paper J, which updated the Committee on actions taken to improve contract management across the Trust. The actions arose from a review undertaken by Internal Audit in Summer 2021.

To address the audit actions, a Contract Management Framework was being rolled out across the Trust. It was noted that staff training had not progressed as well as planned. On-line sessions for contract managers to help them understand their role and why they needed to complete online training had been attended by 19 of the 42 Gold and Silver contract managers.

It was reported that 23 contracts would be reviewed to ensure they had the right regulatory clauses (as they were not standard NHS terms or conditions or because they were older contracts). In addition, there would be a review of supplier resilience for Tier 2 and Tier 3 Sub-Contractors.

The Audit Committee, Non-Executive Director Chair highlighted the need to ensure that contract managers were trained. The Chief Financial Officer reported that work was underway to review the structure in the Procurement team as it lacked capacity.

Resolved – that the report be noted.

21/23/9 Financial Improvement Plan

The Deputy Director of Finance presented the Financial Improvement Plan (paper K). The plan included agreed actions from internal and external audit, advice from Deloitte and the HFMA Financial sustainability assessment. There were 138 actions; 97 had been completed of the remaining 41 actions 30 were overdue. All high-risk actions had been completed except for those relating to asset recognition. A number of actions would be completed on submission of the 2021/22 Annual Accounts.

Ms V Bailey, Non-Executive Director, cautioned of the need to ensure change was sustainable and asked what the main concerns with respect to the plan were. The Chief Financial Officer assured the Committee that the team had taken a measured approach and time to implement the plan ensuring changes would be sustained. She added that her main concern was recruitment as some posts required specific skills sets.

The Deputy Director of Finance reported progress in asset verification. This had been achieved for 50% of the assets through the two managed service contracts, physical verification, and confirmation from digital use. Further work was needed to verify the remaining assets and create a modern asset register. However, it was noted that some management systems were expensive, and an affordable option was needed

The Audit Committee, Non-Executive Director Chair asked whether the asset owners understood their roles and responsibilities. The Deputy Director reported that there had been a good level of engagement.

CFO/DDF

The Committee noted the considerable work undertaken and requested a further report to its June meeting.

It was agreed to close an outstanding internal audit action (11) relating to the lack of security presence around car parking cash collection.

Resolved – That (A) the report be noted, and

CFO/DDF

(B) that a further report be presented to the Audit Committee in June 2023.

21/23/10 Discretionary Procurement Actions

The Head of Procurement and Supplies presented the procurement waivers approved between February 2023 to April 2023 and the reasons for the waiver (paper L). The Audit Committee, Non-Executive Director Chair requested further detail outwit the meeting.

HoP&S

Resolved – that (A) the report be noted and

(B) that further detail on the waivers be provided to the Audit Committee Chair.

HoP&S

21/23/11 Declarations of Interests 2022/23 (decision-making staff)

The Director of Corporate and Legal Affairs presented the report (paper M) on the declarations of interests recorded for 2022/23. It noted that that 86% of UHL's 1,047 decision-making staff (as defined for the purposes of conflicts of interests) had made a compliant declaration of interest. The IT supplier noted that UHL was towards the top end of performance compared with other large NHS Trust clients.

During 2023/24, the position would be monitored on a rolling monthly basis, rather than concentrating activity at year-end. An awareness-raising campaign would be undertaken in discussion with Counter-Fraud colleagues.

The Audit Committee, Non-Executive Director Chair suggested that the Chief Executive request that the relevant staff record their declarations.

Resolved – that the report be noted.

21/23/12 Sealings Report

The Director of Corporate and Legal Affairs presented paper N noting that the seal had been used on one occasion during Quarter 4 2022/23.

Resolved – that the report be noted.

21/23/13 Audit Committee Annual Review of Effectiveness

This report was deferred.

22/23 **INTERNAL AUDIT AND COUNTER FRAUD**

22/23/1 Internal Audit Recommendations

The Director of Corporate and Legal Affairs presented a report updating the Committee on progress on the actions from Internal Audit reports (paper P).

It was reported that the implementation rate was 51% which equated to 'limited' assurance. This was an improvement from the last meeting. The 28 actions which were overdue were listed with an update from the action owners.

The Audit Committee, Non-Executive Director Chair stressed the need to improve performance.

Resolved – that report be noted.

22/23/2 Head of Internal Audit Opinion

Ms J Robinson presented the report (paper Q) noting that the Internal Auditor was not in position to provide the overall Head of Internal Audit Opinion. The Interim Opinion report set out an indicative opinion based on progress to date with respect to the Board Assurance Framework, Internal Audit Plan Outturn, and the implementation of Internal Audit actions, and third-party assurances. an opinion was not yet able to be provided for the internal audit plan outturn due to insufficient work being completed to date.

Resolved – that the report be noted.

22/23/2 Internal Audit Progress Report

Ms J Robinson presented the report (paper R) noting progress made on the 2022/23 Internal Audit Plan 2023/23. Since the last meeting, the report on Data Quality Framework which provided significant assurance had been issued.

Terms of Reference had been agreed for the performance and accountability framework and data security protection toolkit reviews. Ms Robinson noted that the Internal Audit report on Waiting List Management had been reissued. The actions had been reviewed and not assessed as high risk. The report which provided limited assurance had been received by Operations and Performance Committee.

Ms V Bailey, Non-Executive Director, highlighted the need to address the outstanding actions from the previous internal audit, specifically the high and medium rated risks and change the culture. The Director of Corporate and Legal Affairs agreed and noted that part of the problem was a lack of clarity as to what evidence would demonstrate actions were complete.

Resolved – that the report be noted.

22/23/3 2023/24 Internal Audit Plan

Ms J Robinson presented 2023/24 Internal Audit Plan for approval (paper S).

Resolved – that the 2023/24 Internal Audit Plan be approved.

22/23/4 Counter Fraud Progress Report

Ms J Clarke presented the Counter Fraud Progress Report (paper S1). The report noted that Trust had scored itself as compliant for each component as part of the 2022 Counter Fraud Functional Standard Return

In response to the actions agreed at a previous committee meeting, Appendix B set out the concerns and risks raised by staff in relation to fraud. Appendix C provided comparative data for referrals on counter fraud.

In response to a question from the Audit Committee Non-Executive Chair, it was noted that there was a cross over between Internal Audit and Counter Fraud and regular liaison.

22/23/5 2023/24 Counter Fraud Workplan

Ms J Clarke presented the 2023/24 Counter Fraud Workplan (paper S2).

Resolved – that the 2023/24 Counter Fraud Workplan be approved.

23/23 EXTERNAL AUDIT

23/23/1 Report from the External Auditor (Progress Report)

Mr J Brown presented the report on progress in relation to the audit of the 2021/22 accounts (paper T). The expectation was that the Trust would receive a qualified opinion in light of findings relating to opening balances and asset management.

The Audit Committee Non-Executive Director Chair asked whether the Trust would be able to complete sufficient work with respect to asset management in time to remove the qualification. Mr Brown noted that this would be considered in light of the net book value of those assets covered by the managed contracts.

The plan to audit the 2022/23 Accounts would be presented to the Audit Committee in June.

The report provided a technical update and noted that consultation was to be undertaken with respect to the valuation of specialised assets.

Resolved – that report be noted.

24/23 ITEMS FOR NOTING

24/23/1 Escalation Report of Risk Committee 24.2.23

The Committee received the Escalation Report from the Risk Committee (paper T).

Resolved – that the report be noted.

24/23/2 Minutes of Board Committee Meetings

Resolved – that the Minutes of the following Board Committee meetings be received and noted at papers V – Z4 inclusive:

- Operations and Performance Committee 25 January 2023
- Finance and Investment Committee 27 January and 24 February 2023
- People and Culture Committee 25 January 2023
- Quality Committee 26 January and 23 February 2023
- Reconfiguration and Transformation Committee 24 February 2023
- Charitable Funds Committee 16 December 2022

25/23 ANY OTHER BUSINESS

There was no other business.

26/23 IDENTIFICATION OF ANY KEY ISSUES FOR THE ATTENTION OF THE TRUST BOARD

Resolved – that the following items be highlighted to the Trust Board for information.

- Update to 360 Assurance Audit of E&F 'Time and Attendance System
- Data Quality Assurance Group Update
- Progress on management Response to Statutory Recommendations
- Declarations of Interests 2022/23 (decision-making staff)
- Internal Audit Recommendations
- Counter Fraud Progress Report

**AC NED
CHAIR**

27/23 DATE OF NEXT MEETING

Resolved – that the next Audit Committee (Extraordinary) meeting be held on Thursday 27 April 2023 from 11 am. (virtually via MS Teams).

The meeting closed at 11.00 am

Alison Moss **Corporate and Committee Services Officer**

Audit Committee Cumulative Record of Members' Attendance (2023/24 to date):

Members

<i>Name</i>	<i>Possible</i>	<i>Actual</i>	<i>% attendance</i>
<i>M Williams (Chair)</i>	1	1	100
<i>V Bailey</i>	1	1	100
<i>S Harris</i>	1	1	100
<i>B Patel</i>	1	1	100

In attendance

Name	Possible	Actual	%
<i>B Cassidy</i>	1	1	100
<i>L Hooper</i>	1	1	100
<i>R Manton</i>	1	1	100
<i>S Linthwaite</i>	1	1	100